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## Poland to Use Armed Forces In Crackdown on 'Anarchy'

By John Dantron

**WARSAW** — Premier Wojciech Jaruzelski told parliament Thursday that he had instructed the army and police to crack down on lawlessness and anti-Soviet activity.

Gen. Jaruzelski also asserted that the fate of the nation depended to a considerable extent on the policies to be adopted by the Solidarity union at the second phase of its national congress beginning Saturday in Gdansk.

He called on the union to isolate itself from the enemies of Socialism, to join the government in implementing economic reform and to recognize the supreme rationale of Poland's alliance with the Soviet Union.

The general's speech, mingling threats and appeals, seemed to cap a week-long government campaign to pressure the union to adopt a more moderate course and back away from political-sounding resolutions that characterized the opening of the congress earlier this month.

**Soviet Message**  
The campaign followed a blistering message from the Soviet Union that all but ordered the government and party to take radical steps to end what Moscow saw as a politically inspired campaign of rabid anti-Sovietism.

The message provoked a debate at the highest level of the Polish Communist Party, inside the Politburo, over whether or not to declare a state of emergency, which would allow the imposition of martial law. Moderates, including the party leader, Stanislaw Kania, prevailed, and the leadership decided instead to issue stern warnings and strike an uncompromising stance in dealing with the union.

In his speech to the Sejm, which opened a two-day parliamentary session, Gen. Jaruzelski was soundly applauded when he said he had instructed the minister of internal affairs, who heads the security apparatus, to take steps to end "anarchy" and anti-Sovietism. The ministry will be supported by specially detailed army forces, the general said.



Gen. Wojciech Jaruzelski

He continued: "An end must be put to the disregard for legal norms, to the deepening anarchic tendencies, to the hooligan unbridledness, to anti-Soviet and anti-state excesses."

**Worker Self-Management**  
The parliamentary session will consider a sensitive issue, a new law on worker self-management in factories and other enterprises that has been a major bone of contention between Solidarity and the government.

The leadership of Solidarity offered a compromise Tuesday that would permit the government to appoint directors in certain enterprises and the union to appoint them in others. Each side would have the right to appeal the other's appointment to binding arbitration by a court.

The compromise, however, drew some criticism Thursday from regional Solidarity leaders, and it was not at all certain that it would be approved at the congress. Some Solidarity chapters have also been passing resolutions condemning what they call pressure tactics by both the government and the Soviet Union.

Gen. Jaruzelski's speech also painted a grim economic picture. He said that industrial production had fallen 13 percent in the past eight months compared with the previous year, that export capacity had diminished and that rationing would have to be extended. A particular problem, he said, was a continuing decline in the supply of meat and black-market sales that affect 20 percent of the meat that should have gone to state purchasing centers.

[In New York, Solidarity opened its first overseas office Thursday, Reuters reported. The movement said the specific aim of the bureau would be to establish a close relationship with U.S. unions. Its 35-year-old director is Zygmunt Przewozniak, a journalist.]

### Soviet Paper's Accusation

**MOSCOW (UPI)** — The newspaper of the Soviet Union's state-controlled labor unions charged Thursday that Solidarity had become "a Trojan horse of imperialism" in the Socialist world.

The newspaper, *Trud*, also asserted that Solidarity criticism of the Polish Communist Party was unconstitutional. It was the second straight day in which the Soviet press has suggested that Solidarity's actions are illegal.

"Having brought about a split in the Polish trade union movement and seeking to place it onto the road of betrayal of the ideals of Socialism and turn it into a Trojan horse of imperialism, the adventurists and provocateurs from Solidarity conceived an intention to spread that beyond the boundaries of Poland," *Trud* said.

The article was mainly devoted to deploring the results of the first part of Solidarity's national congress in Gdansk earlier this month. The Russians have focused on one particular resolution of the congress, calling for the establishment of independent unions in other Soviet-bloc countries, as the object of an increasingly intensive and vitriolic propaganda campaign.



Secretary of State Alexander M. Haig Jr., left, speaking with the Soviet foreign minister, Andrei A. Gromyko, during their discussions at the U.S. Mission to the United Nations in New York.

## Reagan Settles on \$16-Billion Cut In '82 Budget, New Tax Measures

The Associated Press

**WASHINGTON** — President Reagan decided Thursday on a mix of \$16 billion in budget cuts and tax measures intended to raise \$3 billion next year as his prescription for keeping on course toward a balanced budget by 1984.

Amidst mutual secrecy, the president worked on his new budget formula just hours before spelling it out in a nationwide broadcast. He pulled back the curtain briefly to let representatives of the nation's governors have a look.

They reported that the president planned a 12-percent across-the-board reduction of most federal spending plans for fiscal 1982, which begins next Thursday.

Gov. Richard Snelling of Vermont, chairman of the National Governors Association, said the president would propose increasing tax revenue by \$21 billion over the next three years "by closing loopholes."

He offered little detail but said one change would involve revising the system used by defense contractors to figure their profits for projects lasting several years. He said that change is expected to raise \$3 billion in fiscal 1982.

Gov. Snelling said \$7 billion of the \$16 billion in cuts would come from grants to the states, both those in which specific uses are ordered by the federal government and so-called block grants under which the states have greater latitude in spending plans.

Gov. Snelling, a Republican, called the amount a "very, very dramatic further reduction" and said he would work against the budget cuts.

Gov. James Thompson of Illinois, another Republican, confirmed earlier reports that the Social Security cost-of-living increase due to go into effect next July, at a cost of \$2.9 billion, would be "untouchable."

But he said cost-of-living increases for food stamp recipients and some welfare programs would be subject to the 12-percent across-the-board reduction along with other programs.

However, cost-of-living boosts in Aid to Families with Dependent Children and Medicaid would not be affected by the 12-percent reduction, he said.

The governors said the politically popular revenue sharing program, under which local governments receive funds from the federal government without stipulation on how they can be spent, would be subject to the 12-percent cut. Some had feared it would be abolished.

In his fifth speech on national television since taking office, Mr. Reagan was expected to cling to his targets of keeping the 1982 deficit at \$42.5 billion and balancing the budget in 1984.

## U.S., Russia Set Fresh Talks on Europe Missiles

By Don Oberdorfer

Washington Post Service

**NEW YORK** — The United States and the Soviet Union announced Thursday that talks on limitation of medium-range nuclear forces in Europe would resume in Geneva on Nov. 30.

The announcement, issued simultaneously in New York and Moscow after a meeting between Secretary of State Alexander M. Haig Jr. and Soviet Foreign Minister Andrei A. Gromyko, said that "both sides believe in the importance of these negotiations for enhancing stability and international security and pledged to spare no effort to reach an appropriate agreement."

Nonetheless, U.S. officials made clear they do not expect an early breakthrough to agreement in such talks. Among the complications is the issue of intercontinental strategic arms, on which no early negotiations are in sight. (On Wednesday, an assistant U.S. defense secretary, Richard N. Perle, said the administration would approach the Russians within the next six months about starting new strategic arms limitation talks.)

### Unresolved Issue

Thursday's U.S.-Soviet announcement did not say whether the two sides had even agreed on the medium-range weapons to be covered — an unresolved issue in preliminary discussions late last year.

The U.S. negotiating team, the announcement said, is to be headed by Paul Nitze, a former deputy defense secretary, a member of the SALT-1 negotiating team and a strong critic of the SALT-2 arms limitation treaty that was negotiated but not ratified.

Heading the Soviet team will be Ambassador U.A. Kvitsinsky, the announcement said.

The start of the new round of theater nuclear force discussions comes exactly two years after NATO ministers voted to deploy medium-range missiles while at the same time seeking negotiations with Moscow on controlling their numbers. The Soviet Union, Mr. Haig has said, now has about 270 of these medium-range missiles — SS-20s — deployed in Eastern Europe. Under NATO's plan, the alliance will put 572 of the theater nuclear force missiles — 108 Pershing-2 rockets and 464 Cruise missiles — in Western Europe by 1984.

Thursday's announcement of the Geneva discussions was the only U.S. official statement on the four-hour talks between Mr. Haig and Mr. Gromyko on Wednesday afternoon. Another meeting is scheduled Monday.

### Sketchy Description

U.S. officials gave only the sketchiest description of the Haig-Gromyko discussions. Dean Fischer, the State Department spokesman, said they had discussed "the broad principles surrounding U.S.-Soviet relations and touched on a number of international issues."

Mr. Haig and Mr. Gromyko met with only interpreters present for two hours and 50 minutes in the office of Jean J. Kirkpatrick, U.S. representative to the United Nations, at the U.S. Mission. Later the two were joined by their advisers for one hour and 15 minutes more.

Mr. Fischer said the meeting was "frank and businesslike." Mr. Gromyko did not characterize it. Mr. Haig declined to speak to reporters as he left the mission.

All indications from U.S. diplomats were that Mr. Haig's presentation of the basic concerns of the U.S. administration followed the lines of President Reagan's letter to Soviet President Leonid I. Brezhnev, which was dispatched from Washington on Monday and presented through the U.S. Embassy in Moscow on Tuesday. According to the rendition of the letter made public in the United States, Mr. Reagan attached "particular concern" to two aspects of recent Soviet conduct.

● An "unremitting and comprehensive military buildup over the past 15 years" that exceeds Soviet defensive needs and "carries disturbing implications of a search on the part of the Soviet Union for military superiority."

● The "pursuit of unilateral advantage in various parts of the world — through direct and indirect use of force in regional conflicts," especially involving Cuban forces and arms.

Mr. Gromyko, in a UN General Assembly speech Tuesday, charged that the United States was staking a claim to "military superiority" and that Washington rather than Moscow was the aggressor.

(Continued on Page 2, Col. 6)

## Armenians Kill Turk And Hold 25 in Paris

By Paul Treuthardt

The Associated Press

**PARIS** — A four-man Armenian "suicide squad" shot its way into the Turkish Consulate on Thursday, killing a security guard and threatening to kill 25 hostages unless all Armenian "political prisoners" in Turkey were immediately flown to France.

About eight hours after they seized the central Paris offices, they handed over the body of the dead Turkish guard, a police officer at the scene said.

Earlier, one of the Armenians, wounded in the shoulder by police fire, gave himself up and demanded political asylum, and the commandos released Kaya Inal, a vice consul, who was seriously wounded in the chest.

They also released a 3-year-old child who had been shown at the window by one of the Armenians. Messages from the commandos, also released in Beirut by the Armenian Secret Army for the Liberation of Armenia, gave a deadline of 11:30 p.m., more than 12 hours after the attack started, for the freeing of the prisoners. But the deadline passed with negotiations apparently still in progress.

The commandos threatened to blow up the offices and kill all the hostages if the demands were not met. Police sources and a Turkish Embassy spokesman had said earlier there were some 40 hostages, as did a hostage shouting from a window. But a police official announced Thursday evening, after repeated contacts with the terrorists, that 25 persons were being held.

A spokesman for the Turkish Embassy in Paris quoted Ambassador Adnan Bulak as saying: "We will not negotiate with terrorists. That is Turkish government policy."

**Others Evacuated**  
The spokesman said there were no Armenian political prisoners in Turkey, although there were "extreme right and extreme leftist political prisoners."

After the assault the police evacuated all the other occupants of the building, about 70 persons. Some of them climbed down from the second and third floors on ladders put up by the police.

The police also evacuated buildings facing the consulate on Boulevard Haussmann in the 8th Arrondissement not far from the Avenue des Champs-Élysées.

First reports said there were three guerrillas, but informed sources later said there were four. The police said that when they first approached to ask if negotiations were possible, a hand grenade was waved at them behind a window.

They also said initial reports that two French policemen were held were incorrect. They said two medical aid left seven prisoners refusing food.

## U.S. Document Hints MX May Be Canceled

By George C. Wilson

Washington Post Service

**WASHINGTON** — Pentagon leaders told the Air Force last week to assume that President Reagan would scrap the MX land missile, build a fleet of B-1 bombers and put a force of AWACS warning aircraft around the continental United States.

The assumption about the MX cancellation was for budget-planning purposes. Mr. Reagan has yet to make his decision on the future of the controversial missile. But the Pentagon planning underscores how far Defense Secretary Caspar W. Weinberger has gone to find an alternative to the missile.

Deputy Defense Secretary Frank C. Carlucci in one set of secret instructions told Air Force planners to assume that the MX would be replaced by a version of the Navy Trident-2 submarine missile, saving a total of \$33.2 billion in the five-year period of fiscal 1983 through 1987.

At the same time, Mr. Carlucci continued, research should go forward on other ways to base intercontinental ballistic missiles such as the MX, including burying them deeper in the earth to withstand nuclear blast and stationing them aloft in giant aircraft.

### Paper Exercise

Some Air Force leaders dismissed Mr. Carlucci's instructions as a paper exercise, predicting Wednesday that Mr. Reagan would end up building 100 MX missiles to be rotated among 1,000 cement garages on government land in Nevada. But they acknowledged that neither Mr. Weinberger nor Mr. Reagan has informed them that this option has been adopted.

Other government officials said Mr. Weinberger is still fighting for the "common missile" option: an Air Force-Navy version of the Tri-



A guerrilla of the Armenian Secret Army held a pistol on a weeping hostage in the window of the Turkish Consulate in Paris on Thursday. He asked the police to let journalists come to the sidewalk below to receive a message from the commandos.

## U.S. Officials Puzzled by Sadat's Revelation of Aid to Afghan Rebels

Washington Post Service

**WASHINGTON** — Many senior government officials here are puzzled as to why Egyptian President Anwar Sadat said in a television interview that the United States had been secretly buying old Soviet-made arms from him and shipping them to rebels fighting Soviet forces in Afghanistan.

There has never been official confirmation of the operation, and the fact that it now comes from a major pro-Western head of government has left much of official Washington unhappy.

The U.S. effort, led by the Central Intelligence Agency, to help supply the Afghan resistance has always been hushed top secret, although several news stories, based on accounts supplied by unidentified sources, have reported on the operation.

Some thought it simply a result of getting too expensive in an interview. Others saw it as perhaps Mr. Sadat's way of demonstrating that Egypt, too, has a strategic relationship with the United States, just as the Reagan administration recently announced the United States has with Israel.

In another view, Mr. Sadat, highly praised throughout much of the West as a leading world statesman and man of courage, faces domestic political problems and may simply have felt frustrated and wanted to show the extent of his involvement in matters requiring decisiveness.

Some sources said they assumed the Pakistanis would be the most vexed at Mr. Sadat's remarks, Pakistan has borne the brunt of many problems in the wake of the Soviet intervention, including an influx of millions of Afghan refugees and constant pressure from Moscow not to allow its territory to serve as a conduit for rebel arms.

Officials at the State Department and CIA had no comment on Mr. Sadat's remarks.

### Tass Comments

**MOSCOW (Reuters)** — President Sadat's disclosures about U.S. weapons supplies to Afghan rebels show that American demands for a withdrawal of Soviet troops from Afghanistan are hypocrisy, Tass said Thursday.

Tass said Mr. Sadat had badly let down his friends in Washington and made clear to all Americans why the Soviet military presence was needed in Afghanistan.

The agency said Mr. Sadat had effectively confirmed that the United States, along with China, was waging a battle to overthrow the Kabul government, and this, it said, fully explained why Moscow had "come to the assistance of the Democratic Republic of Afghanistan."

### INSIDE

#### Stocks Reeling

Share prices continued to fall in London, where one analyst said the exchange is "utter confusion" was fed by pessimism about the economic policies of both the British and the American administrations. Page 13. Prices on Asian bourses also fell, and concern about U.S. economic policies was seen as a factor. Page 14.

#### Latin America

With an abundance of natural resources, Latin America is attracting ever-increasing amounts of development funds. But heavy debt and soaring inflation — along with the element of political instability — tend to make investors cautious. A special supplement on banking and finance in Latin America appears on Pages 7S-11S.

### TOMORROW

#### Hail Bartok

Centennial celebrations for the composer Béla Bartók reach a high note in the next few weeks in his native Hungary. An appraisal of the composer, ethnomusicologist and pedagogue appears tomorrow in Weekend.

## Saudis Helping Meet U.S. Treasury Payroll

By Morton Mintz

Washington Post Service

**WASHINGTON** — A senior Treasury Department official has acknowledged that for seven years, Saudi Arabia has reimbursed the U.S. government for the salaries of a number of department employees.

This led a House subcommittee chairman to question whether the Treasury employees may have divided loyalties and constitute "a potential fifth column" in the department.

Rep. Benjamin S. Rosenthal, Democrat of New York, raised the questions in an exchange Wednesday with Marc E. Leland, assistant Treasury secretary for international affairs. At the closing session of a hearing on the adequacy of the government's monitoring of the multibillion-dollar investments being made in the United States by members of the Organization of Petroleum Exporting Countries.

Mr. Leland said 35 Treasury employees whose salaries, starting as early as June, 1974, have been reimbursed by the Saudi Arabians and who provide procurement, technical and other help in the United States and in Saudi Arabia. In the three fiscal years starting in 1979, he said, these employees received \$3,581,500 in Saudi-reimbursed salaries.

Rep. Rosenthal said he believes the reimbursements violate a 1978 law that, the General Accounting Office has said, requires the employees to be paid out of appropriated funds. A Treasury Department spokesman disagreed, telling a reporter that the Foreign Assistance Act of 1961 "specifically authorizes" federal agencies to be reimbursed for technical assistance to foreign governments.

Under this and similar authorizations, numerous agencies including the Corps of Engineers have openly provided reimbursed services to many countries. Iran and Saudi Arabia among them; but the sensitive Saudi reimbursement of Treasury employees had drawn little if any public notice.

An objection more fundamental than Rep. Rosenthal's came from Laurence H. Tribe, a professor of constitutional law at Harvard University, who cited the Constitution's requirement that "without the consent of Congress," a federal employee cannot accept a financial benefit "from any king, prince, or foreign state."

### Conflict Seen

Even if Congress had not enacted the 1978 law, Mr. Tribe said in a telephone interview. "I would have grave doubt that the Constitution would permit the practice." Rejecting Treasury's defense, he said it is "clear that Congress has not given its consent. The Constitution needs consent. Plainly, we don't have it."

At the hearing of his Commerce, Consumer and Monetary Affairs Subcommittee of the House Government Operations Committee, Rep. Rosenthal asked if the arrangement was an "apparent, apparent" arrangement.

(Continued on Page 2, Col. 1)



# Japan Decides to Let Arafat Make First Visit, Probably Next Month

By Henry Scott Stokes  
New York Times Service

TOKYO — In an apparent policy change, the Japanese government has agreed to allow Yasser Arafat, the Palestine Liberation Organization leader, to make his first visit here, probably next month. The decision reflects Japan's overwhelming dependence on the Middle East as a source of oil.

Tamio Amano, a Foreign Ministry spokesman, said Thursday that if Mr. Arafat comes to Japan he is expected to meet with Prime Minister Zenko Suzuki and Foreign Minister Sunao Sonoda.

"It seems to be quite likely he's coming here sometime in October," the spokesman said. But Mr. Amano said that Mr. Arafat would come to Japan on the invitation of a group of parliamentarians headed by former Foreign Minister Toshio Kimura, not as a guest of the Japanese government.

The possibility of an Arafat visit has been a subject

of debate in the Japanese government since late last year, when Mr. Kimura visited Mr. Arafat in Beirut and invited him to Japan. Mr. Kimura heads a group of more than 100 parliamentarians in the League for Japanese-Palestinian Friendship, an informal group of mainly conservative members of the ruling Liberal Democratic Party.

Mr. Arafat at first said he would not come to Japan unless the government invited him. Mr. Kimura said in an interview early this year. But he softened his position, saying he would come provided that he could meet Mr. Suzuki.

### 'Not a State or Country'

Japan's government, which allowed the PLO to set up an office here in 1977, opened the way for the Arafat visit. The PLO office in Tokyo, headed by Fathi Abdul Hamid, does not have diplomatic status. At a news conference with foreign reporters, Mr.

Aman said Japan "probably... shall say no" if Mr. Arafat requests an upgrading of the PLO office to full diplomatic status.

"The PLO is not a state or country or government," said Mr. Aman.

The invitation to Mr. Arafat comes at a time when Japan is moving toward closer ties with Arab nations, especially Egypt. Egyptian President Anwar Sadat is to visit Tokyo in November for the first time.

There have been press reports that Japan will offer aid worth nearly \$150 million to Egypt during the visit. Tokyo has given nearly \$900 million in credits to Egypt in recent years.

Japan's interest in the Middle East reflects the role that Arab oil plays in this dynamic industrial economy. With Saudi Arabia, Kuwait and the United Arab Emirates already Japan's main oil sources, Tokyo appears to have concluded that better relations with the PLO will lay a foundation for understanding with the more radical Arab regimes.

"Japan today depends on the Middle East for about 70 percent of its total energy consumption," said Masao Sakisaka, a government economist. And, he added, the foundation of "the present affluent society... is extremely weak."

Naohiro Amaya, a former top trade official, predicted recently that U.S. oil supplies will dwindle in 10 years and that Soviet oil flows will run down in 14 years, but that the Middle East can maintain production for half a century.

And Japan's energy needs are expected to soar, boosting oil imports. Experts say that energy needs are expected to surge from the equivalent of 376 million tons of oil in 1977 to about 950 million tons by the year 2000.

"It is imperative for this country to establish closer ties with those [Arab] nations through economic and technological cooperation and cultural exchanges, to say nothing of diplomatic efforts," said Mr. Sakisaka.

# Iran Accuses Saudis Of Beating Pilgrims

The Associated Press

BEIRUT — Iran accused Saudi soldiers of beating 20 Iranian pilgrims at the holy city of Medina early Thursday and complained that Iranians bearing portraits of Ayatollah Ruhollah Khomeini were being turned back by the Saudi Arabians.

Saudi officials, who have warned pilgrims not to bring in political propaganda, could not be reached for comment. An official at the Iranian Embassy in Jidda said a Tehran Radio report on the beatings overstated the incident.

Tehran Radio claimed that 20 Iranians were injured and that 12 required hospital treatment.

### Shiite Unrest

The Saudi royals, facing unrest among the minority Shiite sect in the Sunni-dominated kingdom, has been nervous about Ayatollah Khomeini's call for exporting Iran's Shiite brand of Islamic revolution.

The Iranian minister of Islamic guidance, Abolmoujib Moaddikih, said in a telephone interview from Iran that the dispute started over Shiite-Sunni differences in Islamic rituals at the holy shrine.

He said two Iranians, whom he described as cripples because of injuries received during the revolution against the shah, were arrested for kissing the tomb of Mohammed. The practice is a Shiite ritual but alien to the Saudi Arabians and Sunni Moslems.

Other Iranians protested the arrests, chanting "God is great!" and the baton-wielding Saudi soldiers moved into the mosque, according to Mr. Moaddikih's account. "The Saudis were nervous because they

are not used to this sort of thing, the way we here in Iran are," he said.

He complained that the Saudi Arabians had turned back about 80 Iranians headed for Medina as well as an Iranian television crew. He did not say what the intent of the TV crew was but said those pilgrims barred entry were carrying pro-Khomeini materials.

### Khomeini's Picture

"We feel there is a fear of the Iranian Islamic revolution," Mr. Moaddikih said. "All pilgrims who go from Iran wish to take the imam's [Ayatollah Khomeini's] picture and messages to give as gifts."

The Tehran newspaper Kayhan accused the Saudi Arabians of singling out Iranians among the millions of Moslems making the pilgrimage.

A source who did not want to be identified, and who recently returned from Medina, said confrontations between Saudi security men and rowdies among foreign pilgrims at the holy sites were a "daily occurrence." Diplomatic sources have reported that security precautions this year are tight and unprecedented.

In November, 1979, about 700 armed Islamic zealots held the Grand Mosque at Mecca, Islam's holiest shrine, for two weeks and issued statements denouncing the Saudi royalty.

Saudi forces stormed the multi-chambered mosque, killing 117 of the zealots; 127 security men and 27 pilgrims also died, and more than 500 other people were reported wounded. The surviving conspirators were beheaded.

# Riyadh Helps Meet Payroll At U.S. Treasury, Aide Says

(Continued from Page 1)

most shocking conflict of interest?" "No," Mr. Leland replied.

"To whom do these people owe their loyalty?" the legislator asked.

Mr. Leland said they worked for the United States-Saudi Arabia Joint Commission on Economic Cooperation, set up seven years ago by then-Secretary of State Henry A. Kissinger and Crown Prince Fahd to aid the Saudi Arabians in investing their huge oil revenues. "They are U.S. mercenaries," he said. "They owe their loyalty to the Joint Commission."

"And their salary is being paid reimbursably by a foreign government," Rep. Rosenthal said. "To whom do these people owe their loyalty?"

"I don't know," Mr. Leland said.

"Think about it," the congressman said. "You're a lawyer. I don't think the issue arises," the Treasury official answered. "They are U.S. citizens, and therefore owe their loyalty to the United States."

Pressing harder, Rep. Rosenthal said, "In your building you have American nationals who are being paid by a foreign government."

"No," said Mr. Leland. "They are being paid by the U.S. government... the United States is being reimbursed."

### Exchange at Hearing

The following exchange, here slightly abbreviated, followed:

Rep. Rosenthal: "Whose interests are they working on behalf of?"

Mr. Leland: "On behalf of the U.S. government."

Rep. Rosenthal: "Then why don't we pay them directly?"

Mr. Leland: "Well, because the Saudi Arabians have offered what is a reimbursable detail, and the benefit is to us."

Rep. Rosenthal: "We could get that deal from any government in the world, to put people in the Department of the Treasury or the Department of Defense..."

Mr. Leland: "Not that would bring us a billion dollars worth of business."

Rep. Rosenthal: "I think the Soviets would go for that."

A key area of dispute is Treasury's practice of lumping together all Middle Eastern OPEC members' investments in the United States while listing the investments of other countries separately. Treasury policy is never to identify individual investors, Mr. Leland said, noting that in the OPEC countries the government is often the exclusive investor.

Rep. Rosenthal suggested that with the Saudi-paid employees, "You have a potential fifth column in the Department of Treasury, and you have reasons for not reporting the totality of Saudi Arabian investment in the United States."

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**Toll at U.S. Hotel Hits 113**  
The Associated Press  
KANSAS CITY, Kan. — E.O. Gerster, a 63-year-old dentist, has died from injuries suffered in the collapse of two skywalks at the Hyatt Regency Hotel, raising the number of deaths from the July 17 disaster to 113. The University of Kansas Medical Center announced.

# Saudis Say AWACS Must Have Special Gear

From Agency Dispatches

JIDDA — Saudi Arabia said Thursday it might reject American-made AWACS radar planes if the aircraft were stripped of their "sophisticated equipment."

In a statement broadcast by the state radio, a spokesman for the Saudi armed forces said the deal was being held up because of Saudi insistence that the planes be fully equipped.

The spokesman denied a report in a Kuwaiti newspaper that the kingdom had agreed to American conditions on the sale of the radar planes, which can provide early warning of an attack by air. The Kuwaiti newspaper Al-Qabas had said the Saudi Arabians were ready to go along with the deal even if the aircraft were stripped of sophisticated equipment.

### 'Zionists' Are Accused

The spokesman did not say what the special equipment was, but there have been reports the Airborne Warning and Control Systems planes would be stripped of some radar components that are used to jam the radar systems of incoming planes.

"If Saudi Arabia had agreed to stripping the AWACS of their sophisticated equipment, the deal would have been concluded a

long time ago without any obstacles," the spokesman said in a statement published by the official Saudi press agency. "But the kingdom's determination to obtain this type of early-warning aircraft, with the communications and control systems it contains, is what has provoked the resentment and fear of the Zionist and other hostile forces."

Israel says the planes would threaten its security. The Reagan administration is facing strong opposition in Congress, which can block the deal.

U.S. officials have said that some of the most advanced equipment for coordinating ground or ground-to-air attacks would not be included in the Saudi AWACS, partly to allay Israeli fears. Some of the gear is so sophisticated that it is not supplied to Washington's European allies.

The planes carry equipment that can detect aircraft attacking from more than 200 miles (320 kilometers) away, compared with about 20 miles for ground radar.

### British Make an Offer

In New York, Foreign Secretary Lord Carrington said Thursday that Britain would be willing to supply Saudi Arabia with Nimrod reconnaissance planes if the American sale fell through. But he said London would not

complete against the United States for the sale.

Although the basic design of the Hawker Siddeley Nimrod is more than 15 years old, a new model has recently been produced specifically for European defense.

### Israelis Angry

TEL AVIV (AP) — Prime Minister Menachem Begin's office declined to comment on the offer made by Lord Carrington, but an official who declined to be named said the proposal was a cause of "anger and more than that."

The official said the British plane could "endanger Israel's security" even though it is less sophisticated than the planes Washington wants to sell to Saudi Arabia.

The official said Lord Carrington's offer came as no surprise in view of what he called Britain's pro-Arab policy.

The aviation reporter for the newspaper Yediot Ahronot wrote that the Nimrod could scan a radius of hundreds of miles for military movements in the air and on the ground. But the paper said it lacked the control equipment that permits the AWACS to function as an airborne command center in wartime.

# King Hussein Is Reassured of U.S. Support

By Loren Jenkins  
Washington Post Service

AMMAN, Jordan — The United States has taken the unusual step of saying it "remains committed to Jordan's stability, territorial integrity and security" in an apparent move to allay Jordanian unease stemming from persistent suggestions by Defense Minister Ariel Sharon of Israel that Jordan, and not the Israeli-occupied West Bank or Gaza Strip, should be the homeland of the Palestinians.

Jordanian officials have been concerned since remarks were made during the summer by President Reagan to four Arab ambassadors in Washington that apparently were misconstrued and reported to King Hussein as veiled American support for Mr. Sharon's provocative proposal, according to U.S. officials here.

### A Feasibility Study

What apparently led to this conclusion was a reference by the president to the effect that the real issue was one of Palestinian refugees, not Palestinian land.

The U.S. reassurances were personally given to the Jordanian monarch Wednesday by Ambassador Richard Veits.

The American statement of support was made to offest official Jordanian unease, expressed by the king himself in a recent Arabic interview, over Washington's position on Mr. Sharon's thesis. The Israeli official contends that the Hashemite monarchy is an anachronism that should be allowed or encouraged to disappear so that Palestinians, who make up 60 percent of Jordan's population, can establish their homeland there.

Mr. Sharon has advocated such a solution, which is contrary to the official thinking of Prime Minister Menachem Begin, at least since 1975. What has shaken the Jordanians is that since becoming defense minister in the summer, Mr. Sharon has not only continued to talk about his plan, but, according to those who know him well, is actually studying its feasibility.

The reference quickly spread through Jordan as proof that the United States did not care about the parts of Arab Palestine occupied by the Israelis since the 1967 Arab-Israeli war.

The reports have since been magnified into even worse rumors that developed a special life of their own in this desert kingdom of 2.2 million people, heightening a national sense of insecurity that has mushroomed since Israeli

planes flew over Jordan in June to bomb an Iraqi nuclear reactor near Baghdad.

Rumors in the Middle East are but a part of the political reality confronted by policy-makers. But what alarmed U.S. officials was that they were apparently accepted, at least in part, by the king himself.

The Jordanian monarch told of this concern in an interview early this month in the Paris-based Lebanese weekly Al-Mustakbal in which he spoke of there being a "plot" for an Israeli occupation of Jordan that would allow the Palestinian issue to be solved on Jordanian territory — presumably, he hinted, with U.S. acquiescence.

### Commitment Reaffirmed

"In my opinion," King Hussein was quoted as saying, "they are searching for a situation in which Israeli hegemony can be expanded to include Jordan."

Privately, King Hussein and his aides have sought to portray the unique and enduring character of Jordan," said the American statement given to the king. "The United States remains committed to Jordan's stability, territorial integrity and security. We believe that a secure Jordan, under your leadership, will continue to be a moderate force in the region and continue its commitment to peace."

Whether that would be enough to counter Jordanian concern about Mr. Sharon's remarks remained to be seen. Though many Jordanians believe that Israel would not dare conspire to try to topple the king without U.S. approval, many others, including members of the government, say they are not so sure. They say Mr. Sharon has always been unpredictable and that Israel, as it did in Baghdad, is not beyond acting on its own without consulting the United States.

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# Air Force Told to Assume Land MX Will Be Scrapped

(Continued from Page 1)

blueprint calls for building 12 Airborne Warning and Control Systems (AWACS) sentry aircraft to patrol the borders of North America.

### Sophisticated Devices

The administration's new strategic program sets aside money for sophisticated devices that would be hitched to military navigation satellites in space to detect a nuclear explosion anywhere on Earth. The pursuit of nuclear weapons by governments in the developing world gave impetus to this research effort.

Pentagon sources also said the Reagan administration, in a budget-cutting move, has decided to retire the 52 aging Titan-2 intercontinental ballistic missiles between 1983 and 1987, at least five years earlier than had been planned.

The Titan-2s, first deployed in 1963, are the oldest and largest missiles in the U.S. strategic arsenal. They are liquid-fueled, and thus far more dangerous to operate than other U.S. missiles. Over the last few years, the Titans have been plagued by leaks of highly toxic fuels and two major accidents.

### Testimony on Outbacks

WASHINGTON (NYT) — Secretary Weinberger told the House Budget Committee that the Air Force would lose some B-52 long-range bombers and an Army division would be reduced to skeleton

status as part of the effort to reduce planned military spending over the next three years by \$13 billion.

Mr. Weinberger also said 29 ships would be stricken from the Navy. In an interview earlier this week he mentioned only 18 ships.

In that interview he also said the A-10 and F-16 fighter planes, made by Fairchild Republic and General Dynamics respectively, would be revamped. He also told the Budget Committee the McDonnell Douglas F-15 fighter program would be cut back. On Thursday, before the Appropriations subcommittee on defense, Mr. Weinberger said purchase of F-15s would be cut by a total of 54 between 1982 and 1985.

Other reported cutbacks include terminating purchases of Franco-German Roland anti-aircraft missiles, slowing down the purchase of M-1 Abrams tanks and infantry fighting vehicles, ending purchases of KC-10 aerial tankers and reducing fleet stranding time.

### Czechoslovak Youth Held

MUNICH — Czechoslovak border guards found a would-be refugee hidden in a truck driven by two West Germans on the Czechoslovak-West German border, police said Thursday. They said guards questioned the truckers for several hours before they were convinced the pair had not known the 18-year-old was aboard. He was handed over to Czechoslovak security police.

# Armenians Hold 25 in Paris Raid

(Continued from Page 1)

police tried to get into the offices immediately after the attack but were repulsed by a burst of gunfire.

The messages of the organization said "all the hostages inside the consulate will be executed" unless the demands are met, and that the building "and all the people inside" would be blown up if French forces tried to intervene.

The message was signed by the "Suicide Commandos of Yeghia Keuchichian," a cell of the Armenian Secret Army for the Liberation of Armenia. Mr. Keuchichian was presumed to be a member of the Secret Army slain on a mission.

A witness who escaped from the building told reporters that the leader of the gunmen, a short, thin, bearded man, had fired shots at a Turkish security guard who tried to overpower him.

### 'War of Vengeance'

The consular employee said he was working in his office when he heard someone shout in French, "Don't move." Then, he said, several shots were fired.

Turkish students, who said they were in the center's student service office and escaped through the windows, claimed they had heard three or four shots fired inside the building.

The Armenian Secret Army for the Liberation of Armenia has been waging a war of assassinations and bombings against Turkish diplomats and government offices to avenge the massacre of Armenians by Turkish soldiers during World War I. An estimated 1.5 million Armenians were killed and half a million were forced to flee as refugees.

The ASALA has claimed responsibility for more than 100 attacks on Turkish diplomats around the world.

### Floods Hit Italian Riviera

SESTRI LEVANTE, Italy — Flash floods struck the Italian Riviera and downpours hit Venice and the Emilia region of northern Italy on Thursday.

# WORLD NEWS BRIEFS

## Egyptian and Israeli Negotiators Outline Goals

CAIRO — Egyptian, Israeli and U.S. delegates, hoping to revive long-stalled autonomy talks, said Thursday they would seek agreement on "understandings and principles" during lower-level meetings during the next four months.

The modest objective set by the two days of talks here appeared to fall short of Israeli hopes of speeding agreement on a self-rule plan for 1.2 million Palestinians living in Israeli-occupied lands.

The ministers established as their initial and immediate objective, not excluding other avenues, an agreement on understandings and principles toward the implementation of the framework agreed on at Camp David, a statement said. Another meeting was scheduled for Oct. 21 in Israel.

## Namibia Draft Is Ready, Western Nations Say

UNITED NATIONS, N.Y. — Five Western nations announced Thursday that they have drafted a set of constitutional principles designed to clear the way for the independence of South-West Africa (Namibia).

Details were not disclosed, but the United States, Britain, France, West Germany and Canada said the plan was "likely to secure the confidence of all concerned." The announcement said the plan would be presented to the parties concerned in October.

Thursday's meeting followed talks in Zurich this week between senior South African officials and Washington's assistant secretary of state for African affairs, Chester A. Crocker. The Western countries have been trying to secure implementation of a plan for the future of the territory, a former German colony ruled by South Africa in defiance of United Nations resolutions.

Thursday's meeting followed talks in Zurich this week between senior South African officials and Washington's assistant secretary of state for African affairs, Chester A. Crocker. The Western countries have been trying to secure implementation of a plan for the future of the territory, a former German colony ruled by South Africa in defiance of United Nations resolutions.

## Pakistan Bans an Afghan Resistance Meeting

QUETTA, Pakistan — Pakistan banned a meeting here Thursday of Afghan tribal leaders who were trying to organize anti-Soviet forces independently of the often-fighting insurgent parties based in northern Pakistan.

"We give them shelter but we cannot allow the Afghans to take up political activities," a government spokesman told Western reporters. About 600 Afghans were present when 100 riot police surrounded them and a local magistrate declared the gathering illegal.

Abdul Qader Khan, an organizer, charged that the Afghan tribal parties conspired with local officials to sabotage the jirga, or tribal court. The major parties have had excellent relations with the Pakistan government, but friction between the groups reportedly has led to some bloodshed within Afghanistan.

## Belgian Ex-Minister to Explore Cabinet Crisis

BRUSSELS — King Baudouin Thursday asked Willy Claes, deputy premier in the outgoing Socialist-Christian coalition government, to explore the possibilities of solving the three-day-old cabinet crisis.

Mr. Claes, a Flemish Socialist who also was economics minister in the government of Premier Mark Eyskens, does not have to try to form a new cabinet. A Royal Palace announcement said the king asked him to "analyze all the elements of the political, economic, social and budgetary situation and to submit his conclusions concerning the formation of a new government or the dissolution of parliament." If parliament is dissolved, new elections will have to be held within 40 days.

The crisis broke out Monday when French-speaking Socialist ministers started a boycott of all government work, demanding absolute priority for a comprehensive plan to finance the recovery of the ailing Cochill-Sambre steel combine in Wallonia.

## Court Says Pope's Assault Was Part of a Plot

ROME — The court that convicted Mehmet Ali Agca of trying to kill Pope John Paul II said Thursday it believes the Turk was part of a plot and called on state prosecutors to track down his accomplices.

But the Court of Assize, in its July 22 to life in prison sentence for the shooting of the pope on May 13 "was not the work of a delusional ideologue or a criminal who did everything by himself," the court wrote. "He was the fruit of a complex plot orchestrated by hidden minds interested in destabilization. But... the evidence gathered has not permitted the state to discover the people behind the conspiracy."

## Gandhi Urges Foreign Pullout From Cambodia

JAKARTA — Prime Minister Indira Gandhi of India on Thursday stressed the need for a withdrawal of foreign forces from Vietnam-occupied Cambodia but defended Indian recognition of the Cambodian regime.

Mrs. Gandhi, on a 17-day Asian and Pacific tour, made the remarks at a news conference after a meeting with Indonesian President Suharto. India's recognition of the Hanoi-backed government in Cambodia is a sore point with Indonesia and its four partners in the Association of Southeast Asian Nations.

She said, "We are convinced of the urgent need to de-escalate tensions through a comprehensive political solution which would provide for the withdrawal of all foreign forces, thus ensuring full respect for the sovereignty, independence and territorial integrity of all states in the region."

# Mitterrand, at First Press Conference, Asks Support and Moves to Calm Fears

By Edward Cody  
Washington Post Service

PARIS — President Francois Mitterrand, in his first news conference since coming to power, called on the French people Thursday for unity around him and create a "national plan" for making his Socialist program the law of the land.

Mr. Mitterrand's appeal for support in what he called France's "great task" seemed designed at least partly in response to increasingly vociferous opposition from French big business and the political right to his nationalization and taxation proposals, which are expected to breeze through the Socialist-controlled National Assembly in the next few weeks.

In an apparent attempt to calm concern that has also reached the middle classes, Mr. Mitterrand pledged that his government will undertake no nationalizations, other than those already announced, before legislative elections scheduled in five years. In addition, he said the government plans no increase in taxes next year on top of those added this year.

But the thrust of his remarks was that the Socialist program is going to be enacted despite the protests from the right, and that, consequently, all France — including businesses — should get involved.

"Working together and national plan — this is the conviction that every Frenchman and Frenchwoman should have to be part of a great task," he declared. "France has a role to play, for itself, but also in Europe and the world — for Europe and the world. Many people on this earth are looking at France. For many of them, it represents a hope."

After a review of his government's actions since taking over four months ago, Mr. Mitterrand said: "Of course, much remains to be done. I have the means to do it. Neither the time nor the will is lacking for me to carry out my promises."

He added later: "I am not here to please everyone. The rules of the game are set for a long time, at least until the next legislative elections in five years."

Mr. Mitterrand and Prime Minister Pierre Mauroy put the final touches to the nationalization bill in Wednesday's Cabinet meeting. Scheduled for submission to the assembly on Oct. 8, it calls for nationalizing five major industrial firms and 36 private banks with deposits over a cutoff level of about \$185 million.

Two steel companies are also being nationalized by changing their heavy debts to the government into shares, giving the government majority ownership. Special negotiations are under way for the takeover of three more industrial groups with significant foreign ownership.

Former Prime Minister Raymond Barre, in his first public response to the Socialist plans, charged Wednesday that the result will be higher inflation and still more unemployment because of what he called "incoherent policies."

Mr. Mitterrand quickly corrected Mr. Barre, noting that his career began in 1929 — when he joined the U.S. affairs section of the Foreign Ministry. In 1941, he was assigned to Washington as ambassador of the Soviet Embassy. In 1943, the year cited by Mr. Barre, Mr. Mitterrand became ambassador to the United States. At that point, Mr. Barre was a student at the University of Notre Dame.

## U.S., Russia Set Talks on Europe Missiles

(Continued from Page 1)

Moscow is intervening in its own interest in nearly every corner of the world.

About the only conciliatory note was Mr. Gromyko's declaration that the Soviet Union is seeking "normal businesslike relations" rather than confrontation with the United States.

Similarly, the U.S. summary of the letter to Mr. Brezhnev said Mr. Reagan described "his desire for a constructive relationship with the Soviet Union that will lead to a free and more peaceful world community."

Mr. Gromyko, in separate talks Tuesday and Wednesday with Britain's foreign secretary, Lord Carrington, and Japanese Foreign Minister Sunao Sonoda, reportedly displayed an inclination to make concessions on international issues. But at the same time he expressed a willingness to engage in negotiations.



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# Influx of Haitian Refugees Strains U.S. Facilities, Miami's Patience

By Gregory Jaynes  
New York Times Service

MIAMI — Summer is the time when the sea between here and Haiti is calmest, and so most fit for crossing. Two or three thousand Haitians took advantage of the flat sea this year, packing themselves 60 and 90 and sometimes 120 into a 30-foot boat that a seasoned captain would not trust in a candle pond. Steering for freedom, they went straight to jail.

There are now 1,062 Haitians detained here at a former missile base on the edge of the Everglades. The base, called Krome North, has a "design capacity" of 530, which means the Haitians do not have much more space than they had on their boats.

The overcrowding has forced the U.S. Immigration and Naturalization Service to shift 800 to a former naval base, Fort Allen, in Puerto Rico. Smaller groups have been sent to federal facilities in New York, West Virginia and Kentucky.

The summer just ending has been a loud one in Miami, with civil libertarians proclaiming the refugees' rights, the refugees themselves going at Krome, and the city growing more acrimonious over unwelcome guests competing for scarce jobs.

This was the summer of a sold-out bumper sticker that asked the "last American" leaving Miami to "please bring the flag." It was also the summer that a bogus poster, based on a tourism advertisement urging Miami's visitors to "see it like a native," showed a fetching beachcomber armed to the teeth over the legend, "steal it like a native."

Some say the feelings are part of the general mood of the country after dozens of small boats brought 125,000 Cubans many viewed as thugs, to southern Florida in 1980. Some others criticize a national immigration policy that appears kind to people fleeing Communism, but unkind to those fleeing countries friendly to the United States. For whatever reason, the government has been tougher on Haitian arrivals than at any time in nine years, in which time 44,000 Haitians are known to have arrived.

### Rush to Judgment

"What I keep in mind," said Mike Trominski, a spokesman for the naturalization service, "is that these are illegal aliens, just like Germans or French or any other nationality would be if they tried to enter this country without the proper documents. I think this has been lost sight of."

The Immigration and Naturalization Service has been careful not to use the word "refugee" during the spate of federal court action the Haitians' arrivals have triggered. The main question has been which Haitians came to find jobs and which to seek political asylum.

"The government seemed bent on a new policy of taking care of them rather rapidly, one guesses to discourage others from leaving Haiti," said Bruce Winick, a University of Miami law professor who has sued to slow things down. "The refugees were double-timed up back stairs to avoid public hearings. I mean it was just lunacy. There were mis-

translations. They understood asylum to mean insane asylum. The INS was quick to infer a waiver of their rights when in fact the refugees had no idea what was going on."

In July, the government began hearings at Krome where it contended that the Haitians, most having been picked up at sea, never technically entered the United States and can thus be excluded, a process swifter and simpler than deportation.

Attorneys for the Haitians argued unsuccessfully that Krome, a 45-minute drive from central Miami, was too far away to hold hearings.

One lawyer who made the trip anyway was Steve Forrester. "They scheduled us regularly to be in two or three courtrooms at the same time," he recalls. "On Aug. 4, I had 29 hearings going on in three courts. I had four people deported because I couldn't get there. I was literally running between courtrooms. I'd ask for a continuance of 10 days and not get it. I'd ask for two hours. No. Ten minutes? He said that one judge 'gave me 10 minutes; the other two gave me a brief moment.'"

### A Victory

On Sept. 3, about 600 of the Haitians at Krome started chanting "liberty or death." "Miami is our country and we want it free." They threw stones at guards; the guards threw tear gas canisters at them. Ninety-eight escaped but were caught quickly. The next day, 120 were transferred to the Federal Correctional Institute at Otisville, N.Y.

Early this month the Haitians won a victory when Judge Alice Hastings issued a temporary re-

straining order in U.S. District Court barring exclusion hearings or deportations of Haitians not represented by attorneys.

The most recent developments in the Haitian story were the government's refusal to parole detainees to sponsors or family, and a proposal to reopen an abandoned Air Force base in Glasgow, Mont., for up to 2,000 illegal aliens.

In New York, Ira Gollobin, a National Council of Churches lawyer speaking for the Haitians, said last week that he had submitted sponsorship papers for 60 of the 76 held at a former Navy prison in Brooklyn.

"We said clearly they wouldn't abscond and they are not subversive," he said. "We haven't heard a peep from the INS. Here they are supposed to be economizing... and we've got over 2,500 Haitians in the pokie, costing hundreds of thousands of dollars."

The proposal to move the bulk of the Haitians to Montana has been heavily criticized, mainly because of the cold, windy climate and a lack of legal counsel. The INS says that no decision has been made. The Missoulian, a daily newspaper in the region, has editorialized that the move would be "brutal" to the Haitians.

In Miami, meanwhile, the chop is getting rougher out beyond the bay, but two more boats made it to shore last week. One bore 66 passengers who were in good shape because they had come only from the Bahamas. The other boat had been 21 days at sea from Haiti, and as its 113 passengers gained the beach, one dropped dead from dehydration.

# Weinberger Broadcast Clarified by Pentagon

By Michael Getler  
Washington Post Service

WASHINGTON — The Voice of America has broadcast an interview with Secretary of Defense Caspar W. Weinberger followed by an unusual clarification, issued by the Pentagon, of what Mr. Weinberger said.

Mr. Weinberger, who was the guest Sept. 16 on the VOA program "Press Conference U.S.," was questioned about U.S. allegations that the Soviet Union may be involved in use of chemical-biological warfare in Cambodia. The program was not broadcast until Wednesday.

His answers seemed to imply that the United States might be considering either revising treaties banning such warfare or developing an ability to "respond in kind" as a way to deter Moscow.

Mr. Weinberger's lengthy answers appeared to surprise or confuse the reporters who questioned him.

### Balancing Force

At one point, Mr. Weinberger said: "One of the things we have to do is to make sure we have some kind of balancing forces and indeed are embarked upon the necessary, embarked upon the course that will redress this imbalance."

At another point, he said, "Possibly a knowledge that [the Russians] face retaliation in kind might be a deterrent that would prevent these things from ever having to be used."

Asked if he were saying that U.S. participation in the convention outlawing biological warfare is under review, Mr. Weinberger said no. But he added that as the review of evidence about Soviet involvement continued, this "might lead us to make some appropriate recommendations involving the existing treaties."

The United States cannot allow one power to accumulate "mass quantities of weapons without any kind of counterbalancing deterrent," he said.

The program was to have been broadcast Saturday. VOA spokesmen said it was delayed at the Pentagon's request because the Pentagon thought Mr. Weinberger's remarks would "anticipate" a UN debate that may take place this week on the U.S. charges.

It is known, however, that Mr. Weinberger's remarks also caused

a stir within the State Department concerning what the defense chief said, not just when he said it. Asked if anything else would accompany the broadcast, aired over VOA's worldwide English-language service, the VOA spokesman said the following announcement would be included:

"Since this program was recorded last week, the Defense Department has requested that the following clarification, which the secretary made to members of the panel following the program, be appended to this broadcast:

"The U.S. policy regarding biological warfare is very clear. We have renounced any use of biological and toxin weapons and remain in full compliance with the biological weapons convention."

"Secretary Weinberger refers in several instances to deterrence or retaliation in kind. In these cases, he means redressing the imbalance through the development of an adequate protective posture and the development of a modernization program for chemical weapons, the construction of the first phase of which has been approved by the president and supported by Congress."

# Senate Moves to Tie Salvador Aid to Reforms

By Judith Miller  
New York Times Service

WASHINGTON — The Senate has tentatively endorsed a measure that would require President Reagan to certify that the government of El Salvador was making progress in implementing human rights, economic and political reforms as a condition of U.S. military aid.

Regarding a plea from the Salvadoran president, José Napoleón Duarte, that the conditions be eliminated, the Senate voted 54-42 Wednesday in favor of a biannual certification.

The measure, sponsored by Sen. Claiborne Pell, Democrat of Rhode Island, was offered as an amendment to a proposal by Sen. Richard G. Lugar, an Indiana Republican. Sen. Lugar's amendment would eliminate the certification requirement entirely. The Senate is expected to consider the Lugar

proposal when it takes up the \$5.3-billion foreign aid authorization bill again.

Sen. Charles H. Percy, Republican of Illinois and chairman of the Foreign Relations Committee, endorsed the certification concept but read into the record a letter from Mr. Duarte asking that the restrictions be deleted.

### 'Unacceptable Imposition'

"I hope that the Senate will recognize the conditions as an unacceptable imposition on a government friendly to the United States and fully committed to fulfill its pledge," the letter said.

Mr. Reagan, in a letter to Sen. Percy, urged the Senate on Wednesday to approve his foreign aid legislation, warning that reductions in the assistance programs would have "serious repercussions on our foreign policy and would

endanger our national security objectives."

"America today faces some of its most serious challenges abroad from the adventurism of the Soviet Union and its proxies in such areas as Southwest Asia, the Caribbean, and Africa," Mr. Reagan wrote. The foreign aid bill for fiscal 1982, which begins Oct. 1, contains \$25 million in military aid and \$53 million in economic assistance for El Salvador.

### Duarte Interview

WASHINGTON (WP) — In an interview Wednesday with editors and reporters of The Washington Post, President Duarte said he believes El Salvador is on the road to stable democracy, but he warned outside critics of his civilian-military government that the process involves "cultural and structural

problems that can't be solved in one day."

"I believe at this moment the extreme left has lost the people; it has lost the possibility of being an alternative," he said of the leftist guerrillas. He contended that his government, backed by the military, is ready to commit itself to a form and free elections, that it is working hard to curb abuses by the armed forces, and that a growing understanding of these facts by Salvadorans is weakening his leftist opponents.

The key to ending the civil war, Mr. Duarte said, is for all forces in El Salvador, including the leader of the leftist political opposition, Guillermo Ungo, to renounce violence and seek elections. He insisted that the armed forces despite their history of repression, are committed "as an institution" to holding and respecting "genuinely free elections."



President José Napoleón Duarte, in a speech at the National Press Club in Washington during his American visit, pledged to work for the success of the electoral process in El Salvador.

# California Sees Victory In Fight Against Medfly

Washington Post Service

LOS ANGELES — After a month without a major outbreak of the tenacious Mediterranean fruit fly, California officials have become so confident of victory over the insect that they have ordered an end to roadblocks around infested zones.

Also, despite the possibility of more isolated Medfly discoveries, the California farmers who feared a major agricultural catastrophe now acknowledge that they have brought in a harvest almost untouched by the insect.

"My guess is that we are probably going to see sales 2 or 3 percent over what we sold last year," said Baker Conrad, information director of the Council of California Growers.

The state now has so many Medfly traps, as many as 50 per square mile in some areas, that state officials say they are confident that they can stamp out further small outbreaks quickly.

The last major outbreak, on Aug. 25 in northeast Los Angeles, seems to be under control. Medfly maggots found Tuesday in a peach tree in Castro Valley, south of Oakland, were inside the northern quarantine zone and were not considered a serious threat.

Highway checkpoints to stop the movement of infested fruit from San Francisco Bay counties will be gone by Oct. 1, said Annie Zeller, a Medfly project spokeswoman, and no roadblocks are planned in Los Angeles.

Jerry Scribner, the Medfly projects manager, has said he will accept in principle a recommendation by the project's technical review committee that spraying stop after two Medfly life cycles have concluded. The committee estimated that one life cycle lasts 54 days.

# French Differ With U.S. on Third World Aid

By Bernard D. Nossiter  
New York Times Service

UNITED NATIONS, N.Y. — France has sharply diverged from the United States, urging a large increase in aid to promote Third World development.

Claude Cheysson, the French external relations minister, called on developed nations Wednesday to provide "tens of billions of dollars" in assistance and to write treaties to protect the prices of raw materials exported by underdeveloped nations.

On Monday, Secretary of State Alexander M. Haig Jr. told the General Assembly that a big outpouring of aid was "unrealistic" and that free markets offered the best route to development.

West Germany's foreign minister, Hans-Dietrich Genscher, took a stance midway between his French and American colleagues. He deplored what he called the "stagnation" in foreign aid but backed an open world trading system.

The outcome after three days of speeches suggests that President Reagan may pursue a lonely path when he meets 21 other govern-

# Palestinian Rights Are Emphasized

International Herald Tribune

PARIS — Claude Cheysson, France's minister of external relations, told the UN General Assembly on Wednesday that the Palestinians have "the right to a homeland and a state," a position strenuously opposed by Israel.

Some observers said Mr. Cheysson's statement at the United Nations in New York broke new ground for the Mitterrand government, but authoritative French government sources in Paris minimized its importance.

"It is not a new position for the Mitterrand government, and Mr. Cheysson has expressed the view about a homeland and state previously," a government official said Thursday.

But the position goes beyond that of the previous French government, whose views were closer to those of the European Economic Community, the sources said. The Common Market's position agrees only to support "the legitimate rights of the Palestinian people."

It was Mr. Cheysson, speaking for the new Socialist government, who most strongly emphasized the gap. He said the world was gripped by an economic crisis and asked

cartels to raise the prices of the commodities on which many depend for export earnings.

Above all, Mr. Cheysson said, "economic renewal" in the developing world depends on "tens of billions of dollars to be injected wherever they are most desperately needed." Such aid, he argued, would "lift the buying power and enlarge the markets of the poor."

The French minister endorsed other goals that the Third World hopes to reach in a "global negotiation" involving all 155 United Nations members. He told the developed nations to grant preferential or lower tariffs to products exported by underdeveloped countries. Some now exist, but the Reagan administration does not like them.

Mr. Haig urged Third World nations to join the General Agreement on Tariffs and Trade, a forum where nations exchange lower trade barriers on a more or less equal basis. A preferential tariff, favoring Third World countries at the expense of their industrial competitors, breaches this system.

Mr. Cheysson proposed an early start on the global bargaining round.

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# Tape Reveals Nixon Wanted 'Thugs' Used Against Anti-War Protesters in 1971

By Seymour M. Hersh  
*New York Times Service*

WASHINGTON — A newly disclosed White House tape recording shows that President Richard M. Nixon, angered over widespread civil disobedience in Washington during demonstrations in May, 1971, opposing the war in Vietnam, endorsed a suggestion that "thugs" from the Teamsters union be used to assault the protesters physically.

In a wide-ranging conversation on the morning of May 5, 1971, shortly before a third day of demonstrations, Mr. Nixon and H.R. "Bob" Haldeman, then the White House chief of staff, animatedly discussed an idea raised by Mr. Haldeman of hiring Teamsters to "go in and knock their heads off," as the president put it.

"Sure," Mr. Haldeman responded. "Murderers. Guys that really, you know, that's what they really do... it's the regular strike-buster types and all that... and then they're gonna beat the [obscenity] out of some of these people. And, uh, and hope they really hurt 'em. You know... smash some noses."

There is no evidence that the Nixon-Haldeman conversation resulted in any direct action against

the demonstrators. There is also no evidence that any U.S. law-enforcement agency has investigated the possibility that the president might have authorized a criminal act.

**Lawyer's Statement**

R. Stan Mortenson, a Washington lawyer who is Mr. Nixon's attorney in matters relating to the White House tape recordings, was provided an oral summary of key portions of the transcript Tuesday and was asked for comment. He submitted the following statement Wednesday:

"The New York Times claims to have come into possession of a purported transcript of a conversation between Richard Nixon and H.R. Haldeman on May 5, 1971. If The Times has an authentic transcript, there apparently has been an unauthorized disclosure in violation of a federal statute, court order or regulation. Who committed this act is known only to The Times at this point.

"What The New York Times has appears to be a transcript prepared by the Special Watergate Prosecution Force or another investigative group. It does not conform to the transcript prepared for official court procedures.

Mr. Haldeman, reached by telephone in Los Angeles, said: "I have no comment. I really don't care much what's on the tapes. They're 10 years old."

The 26-page transcript of the Nixon-Haldeman conversation was among more than 750 pages of transcripts prepared by the National Archives in response to a subpoena filed in 1974 by attorneys for about 1,200 protesters who were arrested on the steps of the Capitol on the afternoon of May 5, 1971. Despite intensive litigation over the last seven years, none of the tape recordings or transcripts has been released. U.S. courts have ruled that the arrests in three days of protest were unconstitutional.

**Tape Irrelevant**

In his conversation with Mr. Haldeman on May 5, Mr. Nixon also asked if the Chicago Seven, a group of anti-war protesters who had earlier been found guilty of conspiring to disrupt the Democratic National Convention in Chicago in 1968, were "all Jews." After some discussion with Mr. Haldeman, Mr. Nixon said, "about half of these are Jews."

The Times' sources, in providing a copy of the transcript, noted that

the tape recording was no longer relevant, in terms of possible criminal prosecution, because the statute of limitations has expired on possible criminal infractions by Mr. Haldeman, and because Mr. Nixon's presidential pardon, granted by President Gerald R. Ford one month after he took office in 1974, was absolute and unconditional.

An official, however, characterized the recording as of potential benefit to the plaintiffs in the civil damage suit that is still pending against John N. Mitchell, who was the attorney general under Mr. Nixon.

Historians at the National Archives have been listening to and indexing more than 6,000 hours of Nixon White House tapes since September, 1978, a year after the Supreme Court ruled that the government had a right to maintain control over the Nixon papers and tape recordings. Such materials had traditionally been considered the personal property of a president leaving office.

The White House tape recording system was first installed in February, 1971, and the May 5 transcripts are the earliest such presidential conversation to be made public.

Former members of the Watergate Special Prosecution Force, to whom portions of the transcript were read this week generally agreed that Mr. Nixon appeared more animated and aggressive in that conversation than he did in the hundreds of hours of tape recordings and transcripts that were made available to the prosecutors.

Those materials dealt primarily with the period after June 16, 1972, when the offices of the Democratic National Committee in the Watergate building were entered. This break-in led to the Watergate scandal, trials in which top White House aides were convicted and jailed, and to the resignation of Mr. Nixon as president on Aug. 9, 1974.

**Political Rebound**

Mr. Haldeman, Mr. Mitchell and Mr. Nixon's domestic affairs adviser, John D. Ehrlichman, were convicted and imprisoned on charges that they conspired to cover up the break-in at the Watergate offices. Charles W. Colson and Dwight Chapin, like Donald H. Segretti, were also imprisoned on charges arising from the 1972 campaign.

Mr. Nixon's conversation with

Mr. Haldeman came at a time of political rebound for the president, who had been acutely disappointed in the failure of Republican candidates to achieve major gains in the congressional elections of 1970.

The president's foreign policy triumphs — meetings with the leaders of China and the Soviet Union — were yet to come, and he was being strongly challenged in public opinion polls by a number of Democratic senators, including Edmund S. Muskie of Maine. The Vietnam War was still a major political issue.

At one point, the recording shows, Mr. Nixon and Mr. Haldeman shared laughs over Mr. Haldeman's account of how Mr. Colson, a high-level White House aide known for his total loyalty to the president, had arranged to ship oranges in Mr. Muskie's name to a group of Vietnam veterans who were participating in the protests, known as the May Day demonstrations.

After the laughs, Mr. Haldeman warned the president that Mr. Colson was "gonna get caught at some of these things." Mr. Haldeman went on, however, to tell the president that Mr. Colson had "got a lot done that he hasn't been caught at."

Mr. Haldeman also said that "we got some stuff that he doesn't know anything about, too."

In response to a question on this from the president, Mr. Haldeman said that Mr. Chapin, then the president's appointments secretary, had established contact with "a guy that nobody, none of us knows except Dwight... who is just completely removed. There's no contact at all. He's starting to build it now. We're going to use it for the campaign next year."

Just ask them to dig up those, their eight thugs."

Mr. Nixon said "yeah" and agreed that Frank E. Fitzsimmons, who had replaced James R. Hoffa as president of the International Brotherhood of Teamsters, was trying to — as Mr. Haldeman put it — "play our game anyway." It was at that point that the two men began discussing the use of Teamsters "thugs," as Mr. Haldeman put it, against anti-war activists.

**President Aware**

The conversation suggests that the president was made aware of the White House "dirty tricks" prior to the election, a charge he has repeatedly denied.

When Mr. Ehrlichman was told this week of the content of the recording, he acknowledged that he had always "assumed" while he worked in the White House that some of the seemingly spontaneous attacks on anti-war demonstrators by workers wearing hard hats "were laid on," or inspired, by the White House.

Mr. Ehrlichman, in Santa Fe, N.M., recalled that the former president had always been anxious about protesters, and that he had sought in the 1968 campaign to hire outsiders "to break up demonstrations."

That theme dominated much of the conversation between Mr. Nixon and Mr. Haldeman on May 5.

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## House Votes Penalties For Naming U.S. Spies

By Steven V. Roberts  
*New York Times Service*

WASHINGTON — The House of Representatives has adopted legislation that would make it a crime to reveal the identity of U.S. intelligence agents working under secret cover, but the bill was immediately denounced by critics as unconstitutional.

Before final passage on a 354-56 vote Wednesday, the lawmakers adopted an amendment that strengthened the bill by expanding the kinds of activities that could be considered criminal. Several congressmen alleged that the amended legislation would infringe the First Amendment rights of journalists and other probes of intelligence activities.

Rep. John M. Ashbrook, the Ohio Republican who sponsored the key amendment, defended its constitutionality by saying, "Conspiracy is not new, nor has it ever been a civil or constitutional right."

Rep. Ashbrook, a leading conservative voice in the House, also said Wednesday's action reflected a growing support in Congress for intelligence activities after a period of hostile criticism.

**'CIA Is on Our Side'**

"We went through the mood of the '60s, when we were attacking the CIA," he said. "Now there's a realization that the CIA is on our side, that we need good intelligence."

The measure now goes to the Senate, where the Ashbrook language is already part of the bill, and prospects for passage are considered good.

The legislation was first suggested more than five years ago after the CIA station chief in Athens, Richard Welch, was assassinated by gunmen who have never been caught. Although never fully substantiated, charges were made at the time that Mr. Welch was killed because he had been identified as an agent in a magazine article.

The issue has simmered since then, largely because of the actions of Philip Agee, a former CIA agent who has made a career of discover-

ing, and revealing the names of other agents. As Rep. C.W. Bill Young, Republican of Florida, said during the debate, "What we're after today are the Philip Agees of the world."

The general thrust of the bill had broad backing from both parties. Rep. Romano L. Mazzoli, a Kentucky Democrat, described its purpose this way: "You can criticize foreign policy, you can point out immoral behavior by U.S. citizens, but you don't have to name names. You don't have to endanger human beings."

**'Intent' Provision**

There was no controversy over sections of the bill that prohibit persons with access to classified information, such as government officials, from revealing the identity of an intelligence agent. The problem came with those who have no direct access to such information but learn agents' identities through other sources.

As it reached the floor, the bill said that members of the latter group, which would include journalists, could only be considered criminal if they revealed identities with the specific "intent to impair or impede the foreign intelligence activities of the United States."

Supporters of this language argued that the "intent" provision was necessary to protect freedom of speech. "Without this kind of specific intent standard," said Rep. Edward P. Boland, a Democrat from Massachusetts who heads the House Intelligence Committee, "this bill would be unconstitutional."

Rep. Ashbrook's amendment removed the "intent" provision and said that persons would be criminally liable if they "had reason to believe" that by revealing an agent's identity they would harm national security interests.

The Ohio Republican argued that President Reagan and that Attorney General William French Smith had judged it "legally sound." The Ashbrook amendment was adopted by a vote of 226-181.



Urho Kekkonen

## President of Finland Is Ill and May Resign

By Werner Wiskari  
*New York Times Service*

NEW YORK — President Urho Kekkonen of Finland has been on medical leave since Sept. 11, and his close associates are said to believe that the 81-year-old leader, who is in his 26th year in office, may soon have to resign.

The president, who has been suffering from persistent disturbances of the blood supply to his brain, is to continue his leave until Oct. 10.

A Finnish diplomat said a determination of Mr. Kekkonen's ability to return to work was expected to be made by then. But, the diplomat added, there appears to be growing doubt in Finland that the president will be able to serve out his full six-year term, which has more than two years to run.

The acting president is Premier Mauno Koivisto, a 57-year-old Social Democrat who, according to public opinion polls, has long been favored to succeed Mr. Kekkonen in the next elections.

But Foreign Minister Paavo Vayrynen, chairman of the president's agrarian Center Party, has vowed to do everything in his power to deny the presidency to Mr. Koivisto, who, if elected, would be the first leftist Finnish chief of state.

The foreign minister charges that Mr. Koivisto is too inexperienced in foreign policy to succeed Mr. Kekkonen, who is noted as an adroit practitioner of a policy of neutrality and friendship with all nations, particularly the Soviet Union. Mr. Vayrynen is backing Ahti Karjalainen, a Center Party member and a director of the Bank of Finland, who has served as premier and foreign minister.

President Kekkonen has suffered from occasional lapses of memory for two or three years, causing some delays in consideration of matters of state, but these lapses have increased in severity.

A medical bulletin issued last week said he had persistent cerebral insufficiency, or disturbance of blood supply, and his doctors said the symptoms included memory lapses and absentmindedness.

**Two U.S. Advisers Shot in Honduras**

*The Associated Press*

WASHINGTON — Terrorists firing automatic weapons shot and wounded two members of a U.S. military training team on their way to work in the capital of Honduras, a State Department spokesman said.

The spokesman said the attack at 7:20 a.m. local time Wednesday on five members of a U.S. mobile training team who were driving to their headquarters occurred about the same time that a bomb exploded inside the Honduran legislature in Tegucigalpa, the capital.

The gunmen escaped and a little-known leftist group, the Lorenzo Zelaya Commandos, later claimed responsibility for both attacks, saying they were meant to "repudiate the presence of U.S. military advisers in Honduras."

## U.S. Suit Seeks Landfill Cleanup By Jersey Firms

*The Associated Press*

EGG HARBOR TOWNSHIP, N.J. — A landfill that has threatened Atlantic City's water supplies for a decade has been described in a government suit as the most serious environmental problem in the United States.

In a suit filed Monday in U.S. District Court in Newark, the government charged that 10 major industrial companies and nine disposal companies were responsible for the reservoir of deadly chemicals at the 22-acre Eric's Pit landfill, which is situated 6 miles (about 10 kilometers) from Atlantic City's boardwalk.

"The situation is alarming," said Charles J. Walsh, an assistant U.S. attorney. The government has designated this case the most severe environmental problem in the country.

Atlantic City officials are trying to save 12 fresh-water wells that provide more than half the city's daily summertime water needs. The Environmental Protection Agency says industrial wastes dumped in 1971 and 1972 are oozing into the great Cohansey aquifer of the Pine Barrens, one of the East's purest and most plentiful groundwater supplies.

## More Vietnam GIs Possibly Exposed To Agent Orange

*United Press International*

WASHINGTON — New evidence indicates that substantially more Vietnam veterans than once thought may have been exposed to Agent Orange when it was rained on populated areas from missions aborted by enemy fire or mechanical failure.

"I don't think anybody quite foresaw that we were dumping chemicals on our own people," Health and Human Services Secretary Richard Schweiker said Wednesday in announcing the finding. Beyond discussing a "substantially larger exposure," he offered no estimate of the number of persons who might have been exposed.

In addition to more than three dozen aborted air missions where thousands of gallons of the herbicide had to be dumped, there is new evidence that it was used along river banks and around the perimeters of military bases, which could have resulted in additional exposure, Mr. Schweiker said.

**European Mayors Meet**

*The Associated Press*

MADRID — King Juan Carlos and Queen Sofia Wednesday opened the 14th meeting of European municipalities, attended by 3,000 mayors, to study matters related to decentralization, community budgets and a future European constitution.

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Photography

Lord Lichfield and the Pursuit of the Beautiful

By William Borders

New York Times Staff

LONDON—The fifth Earl of Lichfield, a glamorous and very successful photographer, has long been known as a ladies' man. And so it seems entirely fitting that he has now published a book full of pictures of some of the most beautiful women in the world.

A second cousin of Prince Charles and brother-in-law of the Duke of Westminster, the 42-year-old earl also moves easily in the world of such people as Bianca Jagger, Natalie Wood and Britt Ekland, all of whom are among the 121 beauties in his book. "In my line of work, one simply meets a great many beautiful women," explained Lord Lichfield, who has a trim bearing that recalls his days at Sandhurst, the royal military academy. "I enjoy being with them and I enjoy photographing them."

In a characteristically grand gesture, he launched the picture book, which is called "The Most Beautiful Women."

The official photographer for the group portraits Buckingham Palace after the wedding of Prince Charles and Lady Diana in July, Lord Lichfield at one point silenced the collection of crowned heads of Europe with a tin whistle. "There were 37 people in that picture, and I hadn't much time to get it right," he explained. "I knew that once I had lined them up they'd begin to chatter. So I brought along the whistle, and it did the job."

Lord Lichfield, whose mother was a niece of Queen Elizabeth the Queen Mother, is known professionally as just plain Patrick Lichfield. But inevitably, his royal and aristocratic connections have contributed to his success. The jacket of his book describes him as a "talented aristocrat," and the noble aura certainly spills over into his advertising photographs, which is the most lucrative part of his work.

"But nobody is going to come in here and pay me money for my pictures just because of who my family is," he said in an inter-

view in his studio, an ivy-covered cottage in the chic Campden Hill section of Kensington.

By the extremely conservative standards of British society's very top drawer, Lord Lichfield, who has a tattoo on his right arm and wears cowboy boots and a gold chain around his neck, must seem almost raffish. But he says that what you see now is a considerably settled-down version.

During his fast-moving bachelor life in London's Swinging Sixties, he was regularly seen—not only here, but in New York, Paris, Beverly Hills and almost everywhere else—escorting beautiful models and actresses. When Bianca and Mick Jagger got married in 1971, it was Lord Lichfield who gave the bride away.

Some of his former girlfriends are in the "beautiful women" book, their photographs having been selected from the million negatives he has accumulated. "If you are a photographer and you are going out with a woman, it is natural to take her picture," he explained. "But his life became rather less flashy (though no less hectic) with his marriage in 1975 to Lady Leonora Grosvenor, a daughter of the Duke of Westminster."

1,400 Wedding Guests

The duke, who has since died, passing the title on to Leonora's 29-year-old brother, was thought to be the richest man in Britain. The Grosvenor estate owns much of central London, including big chunks of Mayfair and Belgrave.

When Lord Lichfield finally married at the age of 35, there were 1,400 guests at the wedding, including not only Queen Elizabeth II and most of the royal family, but also Constantine, the deposed king of Greece, and several of the bridegroom's former girlfriends.

"Since being married, I think I have quite naturally moved back into the more traditional milieu of my family, which is the same milieu as my wife's family," he said. "My wife is a very much more private person than I am, and she is not accustomed to all the personal publicity that I have grown accustomed to."

The Lichfields now have three children and live in a very stylish apartment in Eaton Square and at Shugborough Hall, the Lichfield ancestral home in Staffordshire, a 17th-century mansion set in an estate of 10,000 acres.

150,000 Miles a Year

"I have a great fear of being 'unbusy,' of a day when the phone might stop ringing and no one would want my photographs any more," he said. "Besides, there is great pleasure in going off to places like Kenya to photograph beautiful women." His travels add up to more than 150,000 miles a year, he said.

Sensitive to suggestions that he is frivolous or trendy, Lord Lichfield is proud of another book that is about to be published, "Lichfield on Photography," which deals with the art, science and psychology of how to take a good picture. And he is also planning a sequel to the beautiful-women volume.

"But I don't know quite what the title of the next one should be," he said. "I'm thinking of a whoop of laughter, 'I certainly wouldn't do to call it 'The Second Most Beautiful Women' would it?'"



Photographer Lichfield

Potables

What's in Beer? 850 Things, Including Hint of Banana

By Richard Severo

New York Times Staff

NEW YORK—Beer has been called the working man's champagne, the baseball fan's indispensable companion, and the most palatable form of a vegetable diet.

But with all of its earthly familiarity, beer is only now beginning to yield the secrets of precisely what makes it taste the way it does, and the people who make it are finding there is much new and surprising in their studies of the old brew.

Morton Melgaard, a flavor chemist who is director of research and development for the Stroh Brewing Co. in Detroit, says his recent research shows that at least 850 chemical compounds occur naturally in the fermentation process. These include a variety of acids, sugars and sulfides, as well as chemicals called acetates, esters, peptides, lactones, aldehydes, furans and diacetyl—which remain in the drink even after it is filtered. These chemicals surround and stimulate the tens of thousands of taste buds and gustatory cells on the upper surface of the tongue.

"The compounds in beer have been there all along," Melgaard said. "But only recently have we developed the analytical techniques that would begin to tell us what they are and how they influence flavor."

Flavor chemistry research is conducted by Melgaard and others with the stuff that beer is made

of—such substances as dimethyl sulfide, isobutanol, isomyl acetate, ethyl hexanoate, ethanol, diacetyl, pentanedione, polyphenols, acetyl alcohols and such acids as acetic, butyric, isovaleric and octanoic. The brewers insist that these substances are not harmful to people, at least not at the levels at which they occur in beer—except, perhaps, ethyl alcohol, the fluid that makes people drunk. Many physicians and scientists maintain that ethyl alcohol, which constitutes less than 4 percent of beer (by weight), may be harmful to the liver if consumed in enough volume.

Other compounds identified in years past are under suspicion. Among them are nitrosamines, which are often found in bacon and are known to cause cancer in laboratory animals. Since chemists identified nitrosamines in a number of foreign and domestic beers in 1978, brewers have made an effort, largely successful, to reduce or eliminate the chemical. It has never been regarded as a flavor factor.

Certain Additives

Some beers may also contain certain additives, such as calcium disodium ethylenediaminetetraacetate, which prevents beer from gushing out of bottles when they are opened; sodium metabisulfite, which prevents oxidation; and N-heptal p-hydroxy benzoate, a kind of preservative. Melgaard emphasized that these are not a part of flavor chemistry either, and noted that his brewery uses no added preservatives.

The research of flavor chemists has produced some surprising results. For example, Melgaard had

always regarded alcohol as almost tasteless. "To our surprise, we found that it had warm and pleasant flavors, once they had been fully purified."

Other research suggests that dimethyl sulfide tastes like cooked sweet corn. Indeed, it occurs in corn, but its presence in beer comes from another source, malt, which is sprouted barley. Some beer drinkers claim to be able to taste the dimethyl sulfide in their favorite brand, according to Melgaard.

Isobutanol is a dominant flavor factor in most beers, along with fusel alcohol and carbon dioxide, said Melgaard. Hops naturally contain humulone. The humulone changes slightly and becomes isobutanol when the hops are boiled in the brew kettle.

Isomyl acetate, a flavor component which occurs naturally in bananas, and ethyl hexanoate, which occurs naturally in apples, also appear in fermentation and are usually referred to as the banana esters and the apple esters. An ester is formed when alcohol and an acid are in fermentation. Some beer drinkers say they can taste a bit of apple, but those who claim to taste bananas in their beer are rarer.

According to Melgaard, diacetyl and pentanedione produce a buttery flavor, the polyphenols are astringent and "tea-like," and isovaleric acid, a hop derivative, tastes "cheesy." The amino acids, says Severo, vary in their flavors, running from "broth-like" to "bit-

ter." For hundreds of other compounds, the taste factor has not been determined.

Efforts to determine what was really in beer and caused it to taste the way it did started in Germany in the 1920s. Researchers then predicted they might find as many as five or 10 chemical compounds in it. By the 1960s, after the invention of gas and liquid chromatography, scientists were able to separate and delineate infinitesimal levels of chemicals, researchers were guessing that there might be 100 or more compounds in beer.

Melgaard's research, which has been tentatively accepted as a doctoral dissertation by the University of Copenhagen, has revealed eight times more compounds than were known in the 1960s.

It is difficult for brewers to determine when they have a good brew. Beer-tasting is so subjective that taste panels always contain at least 15 to 20 people.

"The variations of taste are such that even if you have 30 people on a panel, it is not truly representative," Melgaard said. He said, however, that he could not envision a chemical-analyzing machine that could replace taste panels.

The sense of taste can distinguish four basic qualities: sweetness, sourness, saltiness and bitterness. And although beer is generally thought of as somewhat bitter, the compounds in it run the spectrum of taste. How do sweet and buttery compounds modify the bitterness?

Melgaard says that chemical senses are "analytic," like pitch discrimination: "We perceive flavor in much the same way we hear a symphony." Symphonies are constructed so that the serious listener is aware of the abstract form, but not so much of the seams that hold the abstraction together. It is really only musicians and musicologists who will try to detect the undergirding of a symphony, or the special ways a great composer might leave his mark on the brasses, woodwinds, strings and percussion.

So it is with beer, according to Melgaard. Brewers don't want beer drinkers to be aware of beer's major and minor components, only its overall taste. Only professional tasters and aficionados really try to separate the bitterness from the fruitiness or the sweetness hidden in a glass of beer.

The intensity of beer's components is measured in flavor units, with one unit regarded as the threshold of taste.

Melgaard said that, for the sake of comparison, a Pilsner Urquell from Czechoslovakia would contain eight to 10 units of bitterness, about the same of hop character and about four units of alcohol flavor. This type of beer ranks between one and two units in other kinds of flavor, he said.

In contrast, a North American lager is much lower in bitterness, he said. It has between two and three units of bitterness higher in fruitiness and sweetness, again between two and three units.

The bitterness is caused by hops. The "cones"—actually the flowers added to beer for centuries in Bavaria, for example, since at least 850 A.D.

The hoppy, aromatic approach to brewing, using lots of hops and all malt, was originated in 1842 in Pilsen, Czechoslovakia, and has been the standard approach for making beer in Europe ever since. American beers at first emulated the European approach, but in the 1950s U.S. brewers discovered that sales increased when they used a formula with fewer hops and less malt but more carbonation.

American beer also contains about a percentage point less alcohol by weight than in beers of old. "They didn't drink a beer for thirst in the old days," Melgaard said. "They drank it for pleasure."

NYSE Nationwide Trading Closing Prices Sept. 24

Table with multiple columns listing stock symbols, prices, and trading volumes. Includes sub-sections for '12 Month High Low' and 'NYSE Stock'.

(Continued on Page 14)

Movies

Costly West German Saga Stars U-Boat

By Chris Catlin

BOONN—Looking just like its Nazi German fore-runner, a re-created U-boat has just been launched on a daring and controversial mission. The submarine, U-96, is the undisputed star of the West German film industry's costliest production to date, "Das Boot" ("The Boat"), now showing in more than 100 cinemas in West Germany.

The film's message contradicts the warlike philosophy that sent out U-boat wolf packs a generation ago under orders from Adm. Karl Dönitz to "kill and keep on killing."

But there is still a hint of aggressiveness about the 25-million-mark venture (about \$11 million). Instead of harrying Allied convoys, this German submarine is out to conquer the world's cinema screens.

110 Countries

The Munich filmmakers, Bavaria studios, have sold the 2½-hour epic for showing in more than 110 countries and are already toying with the hope of an Oscar nomination.

Once the dubbing teams have finished, the U-boat's *Kaleen*—German naval slang for "lieutenant-captain"—and his battle-wary crew will be mouthing their lines in English, French, Italian, Japanese, and Spanish. Success abroad is vital if the film is to make a profit, the producers say.

Although box office receipts on the first weekend of the film's release earlier this month were a record 3.5 million marks (\$1.5 million), Bavaria says production costs could never be recouped in West Germany alone.

Much depends, says a company spokesman, on the reception in the United States—where the distributor will be Columbia Pictures. The plan is for audiences in the United States, Western Europe, and elsewhere to be seeing "The Boat" by early or mid-1972.

Many might find the idea of a German-made war epic alien, even distasteful. Yet, unlike many of the films made by the victor powers, "The Boat" deliberately hammers away at the tragic waste of war.

Only a quarter of the 40,000 U-boat crewmen survived the war. For the film's director, Wolfgang Petersen, the physical and psychological toll is a central theme.

Story Line Sparse

"That's what we want to show in the film," he told the film's actors. "It is just unimaginable what was done to these people in a U-boat war. . . . How they were exploited, demoralized and tortured." The story line is sparse. The U-96 patrols the At-

lantic in the autumn of 1941, sinks a tanker and other ships in an Allied convoy, and is itself hunted by British destroyers.

The members of the crew repeatedly endure the nightmare of being depth-charged; they narrowly escape after their submarine hits the seabed near Gibraltar, and finally struggle back to base at La Rochelle, in occupied France.

An Allied bombing raid catches them before the U-96 is back in the safety of its pen. The *Kaleen* and many of his crew are killed.

The men are depicted as anything but the committed Nazi warriors envisaged by Dönitz, who died at 89 last December while "The Boat" was still being made.

They deride the inflated rhetoric of their leaders in Berlin, show more than grudging respect for their British adversaries, and adopt the British army song "It's a Long Way to Tipperary" as their own.

When survivors unexpectedly appear on the deck of the stricken Allied tanker after being hit by a final U-96 torpedo, the submarine's crew is horrified. One man on the conning tower breaks down and weeps.

It is the accuracy, not the message, of the film, that has given rise to the controversy in West Germany.

'Unthinkable Changes'

Lothar-Günther Buchheim, author of the best-seller on which the script is based, has dissociated himself from the film and accuses Petersen of making "unthinkable" changes to the original story.

Buchheim, a war correspondent who served aboard the original U-96, says scenes of panic as depth charges tear rivets from the hull are "horribly far from reality."

Other critics complain that submarines such as the U-96 did not have riveted seams, but were welded together.

The answer of Bavaria studios is that U-boat veterans say the film is exactly right—a view echoed by the former chief engineer on the U-96, Friedrich Gräde, who said that the technical re-creation of the U-96 was "good, even excellent."

The consensus among critics, too, has been that the show is stolen by the skillfully photographed image of the U-96 itself, for which a series of models and mock-ups was used.

But perhaps the definitive verdict has still to be passed by the real-life *Kaleen*, Heinrich Lehmann-Willenbrock, 69, who will not see the film until he returns from holiday.

An acquaintance says the much-decorated war veteran is at present cruising somewhere in the Mediterranean—this time on a yacht.



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# Banking and Finance

# in LATIN AMERICA

INTERNATIONAL  
**Herald Tribune**

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A SPECIAL SUPPLEMENT

## Oil Revenues Thrusting Venezuela, Mexico Into Leading Roles in Area

By Jane Baird

STRANGERS to Latin America often think of it as a homogeneous place, where everyone speaks the same language and shares the same cultural heritage, and where all the countries belong to a category known as underdeveloped. Any banker who operates on this simplistic view is doomed to failure, for beyond these generalities, characteristics differ widely from country to country.

Venezuela is the country most dependent on oil income, and its oil prospects are reassuring. At current rates of production, its 30 billion barrels of reserves should last for another 25 years. By then, the government will have brought the Orinoco heavy oil belt into large-scale production.

Oil exports are expected to earn an ample trade surplus of \$5 billion to \$6 billion this year, but this surplus will surely drop in coming years. Stagnating oil prices will mean stagnating export revenues. The volume of exports is also being whittled away by expanding domestic oil consumption.

### Second Best Risk

International bankers generally rate Venezuela as the second best risk in Latin America after Mexico. Its spreads have been running higher than in Mexico and three-fourths to seven-eighths of 1 percent over Libor. Venezuela should have little trouble in tapping international credit. The total foreign debt is now \$23 billion-\$25 billion (about \$15 billion public sector), but the roughly \$3.5 billion debt service is less than 20 percent of exports.

The banks' major misgiving about Venezuela is that successive administrations have failed to use the tremendous resources from oil to develop effectively the non-oil sectors of the economy. Former President Carlos Andrés Pérez (1974-1979) lavished enormous sums on development projects that produced mostly red tape, rampant corruption and a huge import bill. Current President Luis Herrera Campesino clamped down on government spending and credit, which helped to bring in a trade surplus and slow inflation but at the cost of a recession from which the economy is only now pulling out.

The government is making an effort to improve its bad financial image. A bill is before Congress to restructure the approximately \$10.5 billion in short-term debt into three-to-five-year obligations. Also in late August, the administration freed interest rates, which should act to cut down a heavy capital flight seeking higher dollar rates, which had become a serious drain on reserves.

### Budget Surplus in Chile

In Chile, economic policies are similar to the recent strategy that José Martínez de Hoz followed in Argentina. The peso has been frozen at P 39 to \$1 since June, 1979, while inflation has been about 60 percent since. Import tariffs have been lowered to a uniform 10 percent, and Chile has been besieged by manufacturers from Brazil and Peru. Interest rates are determined by the market and credit is costly.

But there is a big difference. The Chilean military has made a whole-hearted effort to follow free-market policies, including cutting spending and selling off public enterprises. The government expects to show another budget surplus this year, a feat that is almost unheard of in Latin America. As a result, the Chileans have had more success in dragging down inflation, expected to be 12-14 percent in 1981.

The skies are not completely sunny, however. The most threatening cloud on the horizon is Chile's rapidly widening trade deficit, about \$2.2 billion from May 1980 to May 1981. Manufactured exports have dropped off, and the price of copper has dropped below \$1 per pound, while consumer imports have soared. The trade gap has forced the government to tap international markets for larger loans. The foreign debt is expected to increase from \$11.2 billion at the end of 1980 to \$13.5 billion by the end of 1981, while 1981 debt service is a hefty \$1.2 billion. In addition, industrial production is down to a slow 2.5 percent growth rate, and foreign investment has fallen off because of the over-valued peso.

These problems are not so extreme that they are leading Chile into the recession now being experienced in Argentina. The most probable result will be a partial retreat from free-market policies, with such measures as devaluations, export incentives and import restrictions.

### Crisis in Peru

Peru pulled itself away from a foreign exchange crisis and near default less than three years ago. More recently, the economy emerged from a severe contraction under an IMF-agreed austerity program. But Peru may

be headed for a repeat of the crisis if its economy continues along its present course.

International reserves plummeted from an ample \$1.3 billion at the end of 1980 to \$540 million by the end of May 1981. Prices of metals and oil exports and volume outputs of agri-

### International bankers generally rate

### Venezuela as the second best risk in Latin America after Mexico.

cultural and fish exports have sagged. At the same time, the government is doggedly pursuing a program of tariff-cutting despite the protests of local industrialists. As a result, the trade deficit may amount to as much as \$500 million this year and more in 1982.

The civilian government of Fernando Belaunde Terry is having little success in controlling its spending. Monetary authorities had originally planned on a fiscal deficit equivalent to 4 percent of GDP this year, but by August the deficit was reported at 7.6 percent and climbing. The administration was also asking Congress for authorization to increase the ceiling on foreign borrowing for the year by 50 percent, from \$1.4 to \$2.1 billion, the highest figure Peru has ever borrowed in one year. Early in the year, the government had announced a \$20 billion 1981-1985 development plan, calling for a heavy \$11.5 billion in foreign borrowing. The foreign debt burden is already \$9 billion. If these trends continue, they will not only destroy the long-needed development of Peru's infrastructure and social services, but they will ultimately throw the economy into another tailspin.

Colombia's trade and budget figures are taking a pronounced turn for the worse this year, because of dismal prices for coffee, the leading export and source of government revenue. The current account deficit has reversed from a \$735 million surplus in 1980 to an estimated \$600 million deficit this year, and the fiscal deficit is headed for \$1 billion or more.

Despite Colombia's shortcomings, its international reserves remain well over \$3 billion this year, while its foreign reserves are also strong. (Continued on Page 11S)



GOING FOR THE MONEY — Floating cranes move toward an oil-drilling site off Venezuela. Thanks to oil, the nation is expected to show a trade surplus of \$5 billion to \$6 billion this year.

## Resources Attracting Investors to Region

By Pamela Bayless

PETROLEUM, precious metals, copper, iron ore, coal, hydroelectric potential, strategic metals. Latin America's natural wealth has made the region the top investment choice in the developing world: It receives 56 percent of a total \$95 billion invested.

The region's strengths range from forests and fertile plains for agriculture, once the leading investment area, to a 7-percent average annual growth rate, which creates a large market for manufactured goods. And some of the world's largest mineral and energy resources demand the construction of vast infrastructures in uninhabited tropical and mountainous terrains.

The kinds of investment vary from country to country, and the risk escalates in areas of political instability. Oil-rich countries like Mexico and Venezuela can afford to turn a nationalistic cold shoulder to foreign investment in certain sectors, even though Mexico is experiencing record levels of such investment. Formerly left-leaning regimes such as Chile and Peru are now courting foreign investors to help rebuild a free-market economy.

Chile's economists, the "Chicago boys," have encouraged foreign investors with one of the developing world's most liberal investment charters — low interest rates, low taxes, little government interference.

Bolivia sees foreign investment in mining, oil, gas and farming as a key to its future. In some countries, bargain sales crop up

as formerly state-owned companies are put up for acquisition. Chile's Corfo, the development arm, has offered its last seven firms, including a fishery and wood products company, and one bank, along with 40 percent of the state steel producer. Near-bankrupt industries in Argentina — airlines, appliance companies, agribusinesses — are on the auction block. Even the Venezuelan Development Corp. is selling off 60 concerns, ranging from a cement company to hotels.

In Brazil, multinationals who fueled the "economic miracle" of the 1970s now find an economic nationalism that makes them less than welcome, with a law expected soon to lessen their autonomy. The exception is in energy projects; indeed, nearly all net importers of oil (and some exporters) are encouraging foreign investment in the energy sector.

### Iron Ore

Brazil presents the largest opportunity in the mining sector. The country has let it be known that foreign companies may help develop and exploit its "treasure trove" of minerals, the Serra dos Carajás, in the Amazon jungle near Belém. Literally stumbled upon by a Brazilian geologist forced to make an emergency helicopter landing in 1967, Carajás may yield \$11 billion to \$15 billion annually in mineral exports after 1990, enough to make Brazil a leading mineral exporter.

Carajás contains 18 billion tons of highest-quality iron ore deposits — 11 percent of world reserves — which should produce 35 million metric tons of iron ore alone by

1985. In addition, there are 1 billion tons of copper, 60 million tons of manganese, 40 million tons of bauxite, 9,240 tons of tin, 47 million tons of nickel and 100 tons of gold. Zinc, lead, tungsten and uranium exist in unknown quantities. Known reserves alone would command \$543 billion at present prices.

The government estimates that the Carajás project will demand \$61 billion for implementation over 15 years, including \$34 billion for massive development of a 4,000-megawatt hydroelectric dam, 23 mining and refining industries, a 560-mile railroad and an ocean port, and agribusinesses. The government has already committed \$3 billion to infrastructure and extraction costs.

International loans will be needed, and foreign companies will find a place in joint ventures for plant implementation and technology for minerals extraction and processing. While the government says it is open to foreign capital and is giving concessions such as an exemption from corporate tax for the first 10 years and heavily subsidized energy costs, the plans to bring in foreign investors have caused controversy among Brazilians.

On a much smaller scale, Chile, with one-fourth of the world's copper reserves, encourages foreign investment in the mining sector. Although long-term copper price projections have been discouraging, some attractive fields in state domain are now open to international investment.

The state-owned Mineroperu wants to ex-

(Continued on Page 10S)

## Miami Becomes a Latin Business Center

A SWIFT transformation has taken place in southern Florida over the last 25 years. Sunny Miami, the southernmost city of the United States, has become the northernmost city of Latin America.

It began in the 1950s with the flight of Cubans from Fidel Castro's regime, until today the 1.7 million population of Miami-Dade County is 40 percent Spanish-speaking. The business expertise, connections and cultural links the Cubans brought have made Miami "the Bridge" — the perfect place to do business with Latin America.

No longer a sleepy port city of Spanish students and palm trees, Miami hums with activity. Modern office towers reflecting bright sunbeams are rising continuously along Brickell Avenue and Biscayne Bay to house major banks and financial institutions; a World Trade Center is in the works.

There is nothing *manana* about Miami. The city moves. Some 2.8 million international visitors will descend on Dade County this year, 1.3 million of them Latin Americans, who will spend an estimated \$1.9 billion. (Dade's projected international tourist revenue will be \$4.2 billion, up from last year's \$3.6 billion.) They come to "Latin America's largest shopping center" to stock up on cloth-

ing, color TVs, and all manner of household items. In all, a couple spends an average of \$100 per day on a 15-day trip.

They come increasingly to bank: an estimated \$4 billion in "flight capital" finds home in Miami banks, whether from political or economic turmoil at home, the gambling casinos of nearby Nassau or the illicit drug trade. And they come to invest: Latinos are buying everything from *pied-a-terre* luxury condominiums on the bay and undeveloped land to industrial properties and Florida state banks for investment.

Fueling Miami's fantastic growth have been the financial institutions, many open since the 1978 International Banking Act (IBA) and the Florida state legislature with loosened constraints on foreign banks. Some 75 foreign banking institutions, with an estimated \$2.3 billion in assets, now vie for the lucrative business of deposit taking and financing foreign trade. On Dec. 3, Miami's international banks will be able to open International Banking Facilities to tap the vast "offshore" Euromarkets.

"Miami is becoming the financial center for Latin America; nothing will reverse that trend," says Nicholas Cross, manager of Lloyds Bank International Ltd., in Miami, since passage of the IBA. "It's a great city. We

felt we could make a hell of a lot of money here; we have been fully satisfied."

Mr. Cross, like most managers, has been attracted to Miami not only for its links to Latin American trade but for its highly educated bilingual workforce and the sophisticated communications infrastructure — 72 carriers provide direct flights to all Latin American capitals, and direct telephone dialing is possible to all south of the border countries.

### Dramatic Trade Increase

International trade moving through Miami is increasing dramatically, from \$5.4 billion in 1979 to \$7.5 billion in 1980; this year's estimate is \$10.1 billion. Venezuela is southern Florida's top trading partner, with \$1.6 billion in 1979. The No. 1 region is Latin America, followed by financial shares from Europe and the Far East. More than \$5 billion in goods was shipped to Latin America and Caribbean countries from Miami in 1979.

A foreign trade zone, established in 1975, enables some 200 companies engaged in international trade to move goods through Miami tax-free, and a new \$21 million air cargo terminal serves to expedite most of those goods

(Continued on Page 9S)

## Argentina's Recession May Be 'Subtle' — but It Runs Deep

A VISITOR to Argentina for the first time may not believe that the country is in a recession. Where are the beggars and the gangs of unemployed that stand on street corners, and isn't Argentina reaping a bountiful grain harvest this year?

The signs of recession in a rich country are more subtle. Restaurants and stores are not filled as usual, job notices draw more applicants, and the fleets of yellow taxi-cabs have multiplied in Buenos Aires as laid-off workers turn to self-employment. "This is a very deep recession," said a U.S. banker. "The government can paint it pink, yellow, green or purple, but that won't change the fact."

The reasons are not immediately obvious. The economic picture is cheerful in several important aspects: bumper grain exports will bring in a trade surplus projected to be as much as \$3 billion in 1981, production of oil and gas is increasing and the country is soon expected to be self-sufficient. The recession arises from fundamental changes in the structure of the Argentinean economy.

### New Government

In 1976, when the military junta overthrew the unstable government of Isabel Peron, it called upon a wealthy businessman, José Martínez de Hoz, to be Minister of Finance, and salvage a grossly inefficient economy burdened by over 30 years of heavy state-ownership and interference, and a high degree of protection for private industry.

He achieved most of his goals: opening the economy to free market forces, clearing away price controls and import prohibitions, slashing import tariffs and freeing interest rates. But the scourge of Argentina's triple-digit inflation persisted.

In December 1978, Mr. Martínez de Hoz adopted a new anti-inflation strategy — mini-devaluations of the peso at a rate slower than inflation. According to theory, this would

gradually make imports cheaper, which would gradually force local producers to become more productive and restrain their prices, which would in turn bring down inflation. In practice, however, he failed to convince the military to carry out an essential part of the theory — divestment of the myriad state-

**Bumper grain exports will bring in a trade surplus of as much as \$3 billion and oil and gas production are increasing. The problem arises from fundamental changes in the structure of the nation's economy.**

owned companies and a reduction of the government's spending.

As a result, inflation did come down, but only to 88 percent, still much higher than the devaluations, and the peso became increasingly overvalued. The more the peso became

over-valued, the more the savers and investors began to fear possible future devaluations and contemplated exchanging their pesos for dollars. To prevent a massive capital flight, the Central Bank pushed up interest rates to wildly lucrative heights of 20-30 percent over inflation.

The combination of these policies was enough to drive Argentina into a recession. Manufacturers found that they couldn't raise prices because of cheap imports, while the little cash they could collect went on burdensome interest payments. Some companies cut back production; others stopped manufacturing a product and started to import it; others, including some of the largest conglomerates in the country, declared bankruptcy and dissolved. These corporate failures pulled down about 60 banks in their wake.

When Mr. Martínez de Hoz finished his term in March 1981, the structure supporting the peso promptly crumbled. The first act of the new Minister of Finance, Lorenzo Sigaut, was to decree a 30 percent devaluation. This was enough to undermine investors' faith in the peso and in government promises. Within two months, two successive stampedes out of the peso forced Mr. Sigaut into more devaluations to stem a rapid drain of international reserves.

He was finally able to impose some stability on currency markets by establishing a dual-exchange rate. For financial transactions, the peso was allowed to float. For exports and imports, the Central Bank fixed the exchange rate and planned to continue with monthly mini-devaluations.

After six months of crisis, Argentines could finally take stock of the damage: The peso, starting off the year at about P 2,100 to the dollar, was lower by mid-September. International

(Continued on Page 9S)

## Brazil Struggles to Avoid Financial Reckoning Day

LATIN AMERICA is built on a grand scale, from the Amazon jungles to the peaks of the Andes to the vast pampas. Its resources include oil in the trillions of barrels, fertile land, copper, iron ore, bauxite, zinc and tin. Yet most of its people live in poverty. As a region, Latin America has become the largest borrower of international capital. In 1980, its Eurodollar borrowing amounted to \$19 billion. This year, the total may be almost twice that. Much of these funds are destined for fantastically productive or lucrative ventures — such as Carajás, the world's largest and most-varied mineral deposits; Itaipu, the largest hydroelectric project; the Orinoco heavy oil belt, with estimated reserves of 700 billion to 3 trillion barrels. The risks are also large. In the 1970s, Peru and Chile approached default but succeeded in rescuing their economies. Bolivia and Costa Rica are teetering on the brink as they frantically attempt to scrape together foreign exchange, roll over payments and renegotiate their debts. The most awesome prospect, however, is presented by Brazil: A Brazilian default could plunge the world financial system into chaos.

By James Wygand

A FAMILIAR anecdote in Brazil tells of the man who owed a friend a considerable amount of money. Payment was due the following day and the man could not sleep. As he paced the floor muttering, his wife lost patience, went to the telephone and called his creditor. "Is it true," she asked, "that my husband owes you a big sum of money by tomorrow morning?" Hearing an affirmative, she responded: "Well, he's not going to pay you." She then turned to her husband and said, "There, now get some sleep and let him pace the floor."

Brazil's bankers appear to be in the same situation as the creditor. For the last two years, Brazil has managed to avoid the day of reckoning on its burgeoning debt service burden, each year by a slightly narrower margin.

The country's debt level is a rather staggering \$60 billion in medium- and long-term financing alone. About 70 percent is in the form of foreign financial credits, which are tied to Libor (the London interbank offered rate) or the U.S. prime rate.

Since these rates have been in the 14- to 20-percent range since 1979, it does not take sophisticated mathematics to determine that Brazil's debt service is weighty. Total interest expenditures on the medium- and long-term debt are expected to be about \$8 billion. Amortization of the principal will be another \$8 billion. Debt service, therefore, amounts to about 60 percent of Brazil's projected \$24 billion in exports this year.

Worse still is the country's "vulnerability coefficient" — the relation of the debt service to international reserves and exports — which will reach more than 60 percent in 1981 from just under 35 percent in 1980. This deterioration is due to a sharp rise in interest expenses, a bunching-up of amortization payments in the 1979-1983 period and a sharp depletion of the country's reserve position.

Most bankers assume (at least in private) that the country will have to approach the banks for a renegotiation of its debt in mid-1982. Even with a debt renegotiation, however, Brazil is in deep trouble.

Just how did a country with the world's highest long-term growth get itself into such a mess? Oil is the facile answer, and it is partially correct. The country does depend on foreign supplies for more than 80 percent of its oil needs. Transportation and distribution systems in Brazil are based almost entirely on automobiles, buses and trucks — that is, oil. Similarly, the country depends heavily on fuel oil to run its industrial sector.

### National Euphoria

But it is not enough to blame the rise in oil prices. The 1973 oil price increases arrived at a time of national euphoria. From 1967 through 1973, the economy almost tripled in size as the country's industrial sector registered double-digit growth rates in each of the seven years. The groundwork for what is often called the Brazilian economic miracle was laid in 1964, after the military deposed the government of President João Goulart.

Brazil captured the imagination of the business world with a dose of state-sponsored capitalism that offered low wage rates, liberal tax incentives and a generous profit remittance law for foreign firms. Industry came running and behind it the bankers.

Even with the first oil price increase, the economy appeared sound. Growth slowed to more modest rates, dropping to slightly more than 5 percent in 1975. Brazilians were not prepared for slow growth, however. The industrial sector was nervous. After such heavy investment, the reduction of growth would leave firms with a great deal of expensive excess capacity.

It was decided to stimulate the economy again. Brazil sold itself to the rest of the world as an island of tranquility in a turbulent world. Bankers bought the image. Awash in newly acquired petrodollar liquidity, the banks raced to lend Brazil the money necessary to continue purchasing the oil to keep the economy running at full throttle. Growth in the gross domestic product rose to more than 9 percent in 1967. Inflation also inched upward, after having been brought down from an annual rate of 110 percent in 1964 to about 16 percent in 1972. By 1976, inflation had risen to more than 40 percent and showed signs of climbing further.

Responding to the alarming inflation figures, the government again applied the brakes, driving GDP and industrial growth down in 1977. Just as inflation started to show signs of falling, however, the political pressures for continued growth were too much.

The economy was reenergized again in 1978, this time through heavy investments of government-owned firms, which began crowding out private investment. This created a double bind. The private sector faced the possibility of being squeezed by government competition on one side and by slow growth on the other. To stay alive, firms sought credit. The government sought credit also. The banks, still heady from the huge petrodollar deposits, were only too willing to oblige.

Thus, Brazil increased its debt significantly — from \$32 billion in December, 1977, to an expected \$60 billion in 1981.

### Brazil's Debt

(in billions of U.S. dollars)

1976	1977	1978	1979	1980	1981
26.0	32.0	43.5	49.9	53.8	60.0

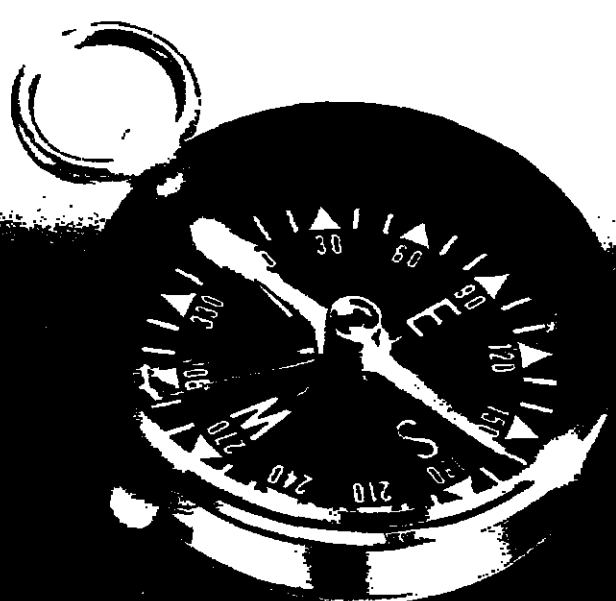
With the change in government in 1979, an intra-ministry battle for control of economic policy ensued. Planning Minister Mario Simonsen and his policies of demand restraint eventually gave way under a bureaucratic and philosophical onslaught from the agriculture

(Continued on Page 11S)



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- Ente Nazionale Per l'Energia Elettrica, US \$ 200,000,000 (1980-1987)
- United Mexican States, FF 150,000,000 (1980-1985)
- European Economic Community, US \$ 70,000,000 (1980-1995)
- European Economic Community, US \$ 26,000,000 (1980-1985)
- CIT-Alcatel, FF 150,000,000 (1980-1990 conv.)
- Renault, FF 300,000,000 (1980-1985)
- CII-Honeywell Bull, FF 225,000,000 (1980-1985)
- La Redoute, FF 125,000,000 (1980-1985)
- Gaz de France, US \$ 80,000,000 (1981-1986)
- E.D.F., US \$ 125,000,000 (1981-1988)
- S.N.C.F., US \$ 75,000,000 (1981-1991)
- B.F.C.E., FF 500,000,000 (1981-1986)

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# Banking and Finance

## World's Banks Fight for Share of Action

*The profit picture helps overcome qualms about instability, and most bankers say the long-term outlook is good.*

WHEN a developing region has vast, untapped energy potential, high levels of growth and the largest slice of foreign investment, the international banks can't be far behind. Latin America is now the world's largest borrower of international capital, and the world's most aggressive banks are flocking to meet the demand. Moreover, Latin America's banks are heading overseas to set up business in increasing numbers.

"It's a global game now," said James W. Bergford, executive vice president and Western Hemisphere coordinator for Chase Manhattan Bank. "This is not the American ballpark it once was."

The big U.S. money center banks are making the most of their international profits in Latin America: Chase posted 19 percent of its income before securities transactions last year — \$70 million. Citibank, the largest earner in the region, earned 41 percent (\$150 million) of its international profits in Latin America.

Now other banks of the world are joining in. The continent's oldest bank, the Bank of London and South America (Boisa), has been a presence for 120 years; Barclays Bank and the Royal Bank of Canada have long-established businesses. But lately other European, Canadian, and Japanese banks, following trade flows, and Arab consortium banks are entering into the region and finding the climate much to their liking.

### Undeniable Difficulties

The profit picture helps bankers overcome their qualms about the region's undeniable difficulties: notorious political instability, endemic high inflation running 58 percent in the region, high debt loads, a declining growth rate (from a high 7 percent average to 6 percent), coupled with one of the world's highest population growth rates, 2.7 percent, a warning of approaching social unrest.

Nevertheless, international bankers insist they are there for the long term and that the long term in Latin America is looking good. "You stay through the hard times as well as the good," says William R. Rhodes, Citibank's senior vice president and senior corporate officer for Latin America and the Caribbean. "Each country has its ups and downs, but all of Latin America is attractive."

Most of the large banks are finding their corporate business is growing in Latin America. Both Citibank and Chase have 60 percent of their Latin business in the corporate sector, with private, mixed and public companies. Latin America has become increasingly dependent on the international private banking sector, and its private sector is bringing the greatest amount of capital into the region. More Latin corporations went directly to the international capital markets than ever in 1980, and found a warm reception.

Mr. Rhodes said, "Local currency business is mainly with the private sector, and that's normally our most profitable business. The spreads are generally greater in the local currency than in Eurocurrencies." Citibank does one-third of its Latin American business in foreign currencies.

### Repayment

Nicholas Cross, vice president and manager of Loyds Bank International Ltd.'s Miami operations, agrees. "It's more risky to lend to the private sector than to the public sector or the banks, but we are equipped to assess risk through our branch network, which knows the quality of the company's management. What's really important is the ability and the will to repay — the balance sheet is history."

Mr. Rhodes and other bankers believe their private sector lending will continue to grow. He sees two trends ahead in Latin American banking — more private sector participation and a greater welcome for foreign private investment.

Loan syndications and public sector projects remain an important segment to most foreign banks operating in the area, as does business with financial institutions and individuals. But as Mr. Bergford says, "We will have to work harder for increasingly elusive income." Increased competition has led Chase and other banks to pursue income from banking services — trade finance, funds transfers, management fees for loan syndications, corporate financial counseling and mergers and acquisitions, among others.

### Bank Expansion

Banks are expanding in Latin America in various ways. One of the most eyebrow-raising was Bank of America's acquisition this year of Argentina's flourishing Banco Internacional for \$144.6 million, adding 60 branches to its existing seven and making it the largest foreign bank in that financially troubled country. Other banks entering a country for the first time may decide a branch is

unnecessary if lending is primarily to the public sector; a representative office may do as well.

If correspondent banking is an important area, a branch may be viewed as competitive with local banks, the potential correspondent clients. Those banks interested in retail operations must evaluate the economy of a target country and its long-term objectives as well as its openness to foreign institutions.

Some countries, among them Colombia, Venezuela and Mexico, don't permit full bank branches or subsidiaries. Citibank is the sole exception in Mexico, since it kept its full-service branch, established in 1929, in operation when other banks fled the revolution in the late 1930s.

### International Expansion

But while foreign banks are doing their best to garner stakes in Latin America, the region's hold-out local banks are making a dramatic move overseas. Their reasons are various. In some cases, it may simply amount to flag-planting without a clear purpose or business plan in mind. But the most aggressive are going with definite goals: to attract capital flows to the home office, to continue growing through market expansion, or to follow domestic business overseas.

In doing so, they are building networks with access to international capital markets and establishing their credibility in the world banking community. And, not incidentally, they are posing a challenge of their own to the international banks with Latin American operations.

Mexico's four largest banks are now established in New York and London. Most of them went abroad with a clear purpose, to funnel money home to help alleviate a capital shortage in Mexico. The oldest Latin American bank away from home is Banco Nacional de Mexico (Banamex), which opened an agency in New York in 1929. But only 10 years ago did the bank decide to truly "internationalize."

"We realized that we had been

operating as a representative office, not really taking advantage of all the functions possible with agency status," explained Clifton T. Hudgins, New York agent for Banamex, one of Mexico's two leading banks, with approximately \$14 billion in assets, which had reached its share limit at home.

The New York agency assumed the U.S. dollar clearing functions for its head office, undertaking the "whole spectrum of the bank's dollar business," said Mr. Hudgins. Good cash management, with U.S. interest rates running at 18-20 percent was vital, since the proximity of the two countries creates an extensive business in dollars. As the bank's North American headquarters, the agency funds the bank's activities, maintains a small credit department, participating in syndications "to maintain our presence in that market," and goes after the Mexican business of U.S. corporations.

"We are unique in the Latin American market," said Mr. Hudgins. "Mexico has lots of international business, which we didn't have to develop. We can help corporations with their Mexican business. Our expertise is geographic; our business is Mexico."

The new thrust has paid off. Statistics of the Federal Reserve Bank in New York show Banamex's New York agency has grown from \$15 million in assets in 1974 to \$750 million in 1980.

### New Yorks Newcomer

A relative newcomer to the New York scene is Banco Rio de la Plata S.A., Argentina's largest privately owned bank with \$1.5 billion in assets and the first private bank to go overseas. Like the Mexican banks, other Latin American banks chose New York for access to the financial markets and international banking community but more importantly, because of trade relationships with the United States.

Banco Rio de la Plata set up a Panama affiliate in 1978 and moved into New York with an agency in October, 1979. In two months, the bank plans to open a

representative office in London, as it is attractive for access to the Euromarkets.

Roberto Ruiz, the New York regional general manager, explained the strategy behind the bank's moves. "Panama was an intermediate step, to gain more understanding of international business, but the United States is the most relevant trade partner for Argentina."

### Saturation Level

Rio de la Plata, a wholesale bank, had reached the saturation level at home and felt the effects of "negative fluctuations in the economy," Mr. Ruiz said, since its customers are Argentina's multinationals, large corporations and public sector corporations — "the GDP of Argentina."

Mr. Ruiz stressed, "We came to expand into new markets and to provide correspondent services to other Argentine banks; we did not come to acquire debt for the home office." In the process, Mr. Ruiz added, "We gained an ability to support some Argentines with business outside Argentina and to extend relationships between multinationals and Argentines to countries outside."

"We are like a consulate here," Mr. Ruiz said, a major source of technical and legal information, plus information on the Argentine business environment and advisory services to corporations wishing to enter that market.

The banker said that since establishing the New York office in October, 1979, he had had a "crash course in crisis management," with the taking of U.S. hostages in Iran, the credit crunch and skyrocketing U.S. interest rates, the economic crisis in Argentina and changes of government and economic policy in both the United States and at home.

Despite the tough environment, Mr. Ruiz said, the agency — with \$235 million in assets — has been profitable from the third month, now contributing 20 percent of the bank's overall operating profits.

With more than 40 Latin American banks in New York, the trend seems certain to continue. Chilean law now permits its banks to set up overseas branches; many countries' banks are buying up U.S. banks as a way in. And like their counterparts on other continents, these expanding banks may find they can't go home again.

— PAMELA BAYLESS

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# in LATIN AMERICA

## Mexico Is Suffering From Growth Pains

By Cynthia Vice

ONE of Mexico's leading brokerage houses recently placed a large advertisement in a major local newspaper with a soothing photograph of a waveless sea and the word "calm" printed above in bold, black type. The message was clear: The market has its ups and downs like the sea and it is vital to remain calm.

The ad was a blatant reminder to investors that Mexico's economic picture is not as cloudless as it was a year ago. Not only has the country been undergoing violent growing pains, along with its four-year oil bonanza, but in recent months it has also encountered problems selling oil, the precious black gold that has made Mexico the fastest growing nation in Latin America.

Part of the problem, since May, has been the slumping price of oil on the world market. But Mexico complained that problem. Petroles Mexicanos, the state oil monopoly, followed market trends at first by cutting \$4 off its price per barrel, but this stirred such a political flap that Pemex was quickly forced to backtrack and raise prices again by \$2 per barrel. The higher price cost Mexico many of its customers this summer, including the French Petroleum Co. The government threatened to cancel its joint industrial development programs with France in retaliation. "Such an outburst of nationalistic oil policy was frightening to some foreign investors here," said one European banker. "This was a bad precedent."

Mexico has since regained most of its export volume by dint of several important concessions and a deal to supply the U.S. government for its strategic oil stockpile. But its problems are not over. Pemex has had to recalculate its 1981 oil earnings by some \$5 billion less than the \$18-20 billion it had originally expected.

The economic tensions of the summer months have also left an indelible mark on international bankers. Many of them see Mexico's bargain-low spreads going up and its terms becoming shorter. "Mexico is not going to get better pricing than the current half percent over Libor," says one U.S. banker, "and perhaps spreads will increase slightly to three-fourths percent by year's end."

Angel Gurria, who heads the Treasury Department's Foreign

Financing Office, has heard such talk before and gives it little attention. Bankers are always threatening to hike the spreads, he says, until they realize that "they've got strong competition because our economy is on solid ground."

Mr. Gurria can marshal impressive evidence to back his claim. Mexico's economy is expected to grow a brisk 7 percent this year and more in 1982, because of tremendous private investment in industry, mining and construction. Over \$4 billion in investment is planned for the steel industry alone over the next four years, and even Chrysler is steeled for a nice profit and has recently completed a \$110 million engine factory.

More important is the fact that Mexico is the fourth largest oil-producing country in the world with proven reserves of 72 billion barrels. Production now stands at 2.4 million barrels per day and is expected to reach a maximum of 2.75 barrels per day.

Besides being a blessing, however, oil has also proven to be a cause for many problems. The incoming tide of oil money has raised Mexican's buying power and expectations so rapidly that the country's industry, agriculture, infrastructure and spending on social improvements can not keep up. Inflation has been racing along at 30 percent, creating pressures for the devaluation of the peso. Imports have swollen much faster than exports, and the country has become increasingly dependent on oil income for its balance of trade.

The lower-than-expected oil income this year has heightened these problems. Speculation against the peso grew so intense in July, because of the softened oil market, that President José Lopez Portillo pledged to "fight like a dog" against major devaluation.

Beginning in 1980, authorities have followed a policy of incremental mini-devaluations, which amounted to a small 5 percent loss in the peso's value in 1980 and another 5.3 percent in the first half of 1981. The peso has been dropping a few cents almost every day this year, amounting to an expected total loss of 11-12 percent by the end of the year.

Outside analysts, however, are estimating that the devaluation should be as much as 50 percent to reach true parity with the dollar. The size of the gap poses the gap of a huge flight of capital into the dollar, which would force the gov-

## Miami a Latin Center

(Continued from Page 75)

by air. A \$750 million expansion of port cargo facilities is under way.

Miami knows Latin America's needs and is helping to satisfy them. A 1981 telecommunications "expo" drew 2,500 Latinos, many of them ministers of communications or high-level military personnel, to view equipment of 112 multinational exhibitors eager to tap Latin America's top market — \$18 billion to \$20 billion of communications equipment will be purchased by Latin countries in the '80s. Multimillion-dollar contracts were signed, and two companies, E.M. Ericsson of Sweden and ATT International, decided to open Miami offices a month after the expo, joining more than 100 multinationals already in the area. About 200 exhibitors are signing on for next year's "expo." Other Miami expos are planned for electronics, avionics, agribusiness equipment, medical technology and food processing equipment, all major growth markets in Latin America.

"None of us have our eggs in one basket," says Stephen Sternfeld, executive director of Miami's International Center, representing 400 corporations engaged in Latin American trade. "We watch our portfolios carefully, not to be overexposed."

One factor that is meant to help Miami's international companies avoid risk and overexposure is an insurance exchange, now in its formative stages. Mr. Sternfeld predicts it will be "the next boom," drawing more than 100 international insurance firms during the decade to the Miami exchange for insurance and reinsurance of all kinds in the Latin American marketplace.

Whatever the risk, it only serves to heighten the air of excitement and movement in Miami these days. Gustavo Cisneros explains why. The head of a \$2 billion Venezuelan conglomerate with \$100 million invested in the United States which recently bought into the Florida National Banks of Fla. Inc. said, "Miami has a fantastic future as an international city, and may become another Hong Kong within 10 years."

— PAMELA BAYLESS

ernment to decree a devaluation. A large devaluation, if and when it comes, will be a blow to the banks. Some may be caught with large peso exposures, and others may face defaults or reschedulings as the government and private borrowers find that the dollar equivalent of their debt swells and places a heavier burden on repayment.

Meanwhile, the trade picture looks grim. Analysts estimate that 1981 imports will increase at least 50 percent this year (following a 55 percent increase in 1980), and the trade deficit will climb from \$3.3 billion to at least \$4 billion. Add to that the annual interest payments of \$6.5-7 billion on the foreign debt, and the current account deficit will probably reach more than \$10 billion by December 1981. Some analysts are projecting as high as \$13-14 billion, compared to \$6 billion in 1980.

As a result, international banks expect Mexico to need more loans this year than the \$5 billion it had originally foreseen. In July, when the oil shortfall became apparent, Mr. Gurria said that the government would need an additional \$1.2 billion to cover the year. He planned to reduce the anticipatory borrowing for 1982 in order to

## Argentina's Recession 'Subtle' but Deep

(Continued from Page 75)

reserves had fallen from about \$7 billion in January to less than \$5 billion. The devaluations have taken the lid off inflation, which is expected to be at least 150 percent this year.

At the same time, the financial shocks have also corrected the structural imbalances that Mr. Martinez de Hoz had created in the economy. The peso is now valued closer to true market parity, reducing import competition with Argentine-made goods. Interest rates, although still high, are neutral in comparison with the rate of inflation.

Argentine industrialists are not overly excited, however. These improvements are not enough to counterbalance over two years of accumulated bankruptcies, layoffs and mounting debt burdens. The usually insatiable Argentine consumer, if he does not find himself unemployed, has decided to put his money in the bank. Retail and industrial sales are in not doing well. An executive with an Argentine industrial conglomerate estimated that most industries are working at 60 percent of capacity, well below the break-even point.

**Uncertain Policy**

To make matters worse, investors are discouraged from putting their money in Argentina by the uncertain course of future government policy. It is neither free-market, nor protectionist. Mr. Sigant has maintained sizeable import tariffs but refused to erect import barriers and prohibition. He will not condone subsidized interest rates, but he has created several financial mechanisms to help industries lengthen the terms of their debts.

As a U.S. banker explains, the government has yet to define exactly which industries are worth protecting and which should be left to outside competition. "They still do not know where they want to take this country," comments a Canadian banker.

**Upsizing**

Meanwhile, the financial upheavals of the past six months have been upsetting to Argentina's international creditors. Foreign bankers were apparently among the last to acknowledge the weaknesses in Mr. Martinez de Hoz's strategy. Up to late 1980, Argentina was negotiating some of the lowest spreads in the continent

— one-half and five-eighths percent over Libor.

As soon as the rapid-fire series of devaluations made the country's economic problems all too obvious, its stock in international markets took a turn for the worse. Japanese banks pulled out of a previously planned \$30 billion bond issue, and a \$300 million syndicated loan for the state oil company was removed from the market.

**Interest and Debts**

Argentina has since proven that it will have little or no difficulty in obtaining loans, as long as it is willing to pay higher rates. In a \$500 million seven-year syndicated loan, led by the Bank of America and scheduled for signing in early October, the Republic of Argentina offered to pay one and one-eighths percent over Libor. "That deal sold like bandits," says a U.S. banker.

The recession and peso devalu-

ations have also resulted in a slower growth of debt this year. After more than doubling from \$12 billion at end-1978 to about \$27 billion at end-1980, the total foreign debt is about \$30 billion this year, with roughly 50 to 60 percent held by the government. The plentiful trade surplus means that Argentina is having no problems in meeting its debt service payments, about \$5 billion this year.

For the future, according to a leading Argentine industrialist, "The way out of the recession is through exports." Besides the peso devaluations, the government has set up a tax scheme and other incentives to promote manufactured exports. The response has been a marked increase in these exports in just a few months.

— JANE BAIRD

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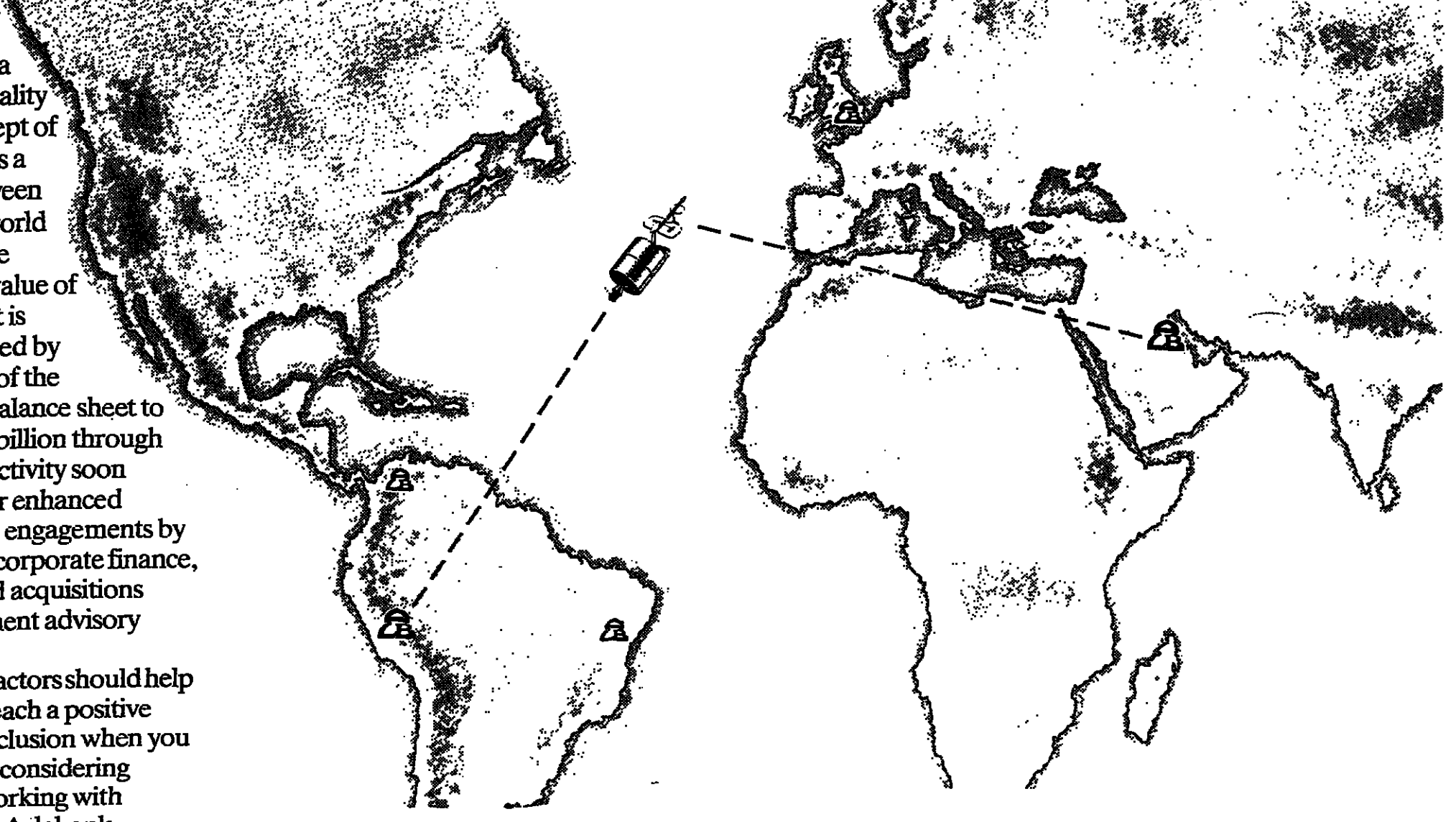
In its third year, Arlabank continues to build its organization in solid support of its steady balance sheet growth. The opening of a branch in Bahrain and offices in Rio de Janeiro, Bogota and London is now followed by the inauguration of one of the longest satellite communications lines in the world, and the first ever between Latin America and the Gulf.

The line, linking Arlabank offices in Lima and Bahrain — the leading Arab financial centre — ensures an effective presence for Arlabank in the international financial markets, particularly in the Middle East and will greatly assist the channelling of financial resources to Latin America.

The satellite communications

link makes a technical reality of the concept of Arlabank as a bridge between these two world regions. The increasing value of this concept is demonstrated by the growth of the Arlabank balance sheet to over US \$1 billion through expanded activity soon to be further enhanced through the engagements by the bank in corporate finance, mergers and acquisitions and investment advisory services.

These factors should help you reach a positive conclusion when you are considering working with Arlabank.



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# Banking and Finance

## Arlabank: An Expanding Bridge to the Middle East

By Craig Justice

**A**FTER the quadrupling of OPEC oil prices in 1973-1974, many Arab countries began looking for new ways to invest their surplus revenues. Meanwhile, Latin American states were trying to entice more capital for their own development, especially those that were not oil exporters and had to spend increasing amounts for petroleum. Theoretically, it looked like a good match. But the Arabs were not familiar with that part of the world, while Latin America lacked Middle East contacts.

During the next three years, however, there emerged the idea of a Latin American-Arab bank to link the economies of the two regions. On Oct. 6, 1977, 27 major financial entities from 18 countries in the Middle East and Latin America founded the Arab Latin America Bank (Arlabank) in Lima with a subscribed capital of \$100 million. Within the last four years, Arlabank's assets have grown to more than \$1.6 billion, and it has recently doubled its subscribed capital to \$200 million (\$125 million is fully paid), of which 60 percent is held by the Arab shareholders and 40 percent by the Latin Americans.

Arlabank, an international merchant bank that offers project finance, syndicated loans and trade finance, functions primarily as a bridge channeling funds from the Arab world to Latin America. The bank's involvement in Latin America comes at an opportune time. U.S. banks are approaching their lending limits south of the border, while their Arab counterparts have a much greater capacity. Furthermore, according to Arlabank officials, Latin America offers attractive investments. "Latin America looks good — it's got basic resources. In Third World terms, it is further up the growth ladder. It has a better potential than Africa," a bank representative said.

### Greater Impact

Although Arlabank is far from being the largest Arab bank operating in Latin America, it is well-prepared for a lead role in bringing the two regions closer together because of its excellent Middle East contacts and a staff with Latin American expertise. It is putting together an investment division that will give advice on specific projects in the energy, mineral and agricultural sectors, in addition to advising clients in corporate finance.

The bank, which led or co-led

nine syndications and managed or co-managed 16 from January, 1980, to June, 1981, totaling slightly more than \$4.476 billion, is beginning to have a greater impact on Latin American finance. Its portfolio is diverse, with loans used for a range of projects from building infrastructure to brewing beer. "We do not blackball any countries. We are receptive to any propositions," an Arlabank official said. Arlabank has also been active in Euromarkets, with loans to Yugoslav and Italian companies, and plans to enter the floating rate note market. Although Arlabank's involvement in Euromarkets will increase as the bank grows, its focus is, by definition, on Latin America.

Under Peruvian law, extraterritorial operations carried out by multinational banks are not subject to government control. Arlabank was the first offshore bank to operate in Latin America, and the only one to keep its headquarters there. It operates a full branch in Bahrain, and keeps in close communication with the Mansaf office via its own satellite. In addition to the offshore banking unit in Bahrain, Arlabank has representa-

tive offices in London, Rio de Janeiro and Bogota. Eventually, the bank plans to establish itself in other Latin American capitals, including Buenos Aires, Santiago, Caracas, Mexico City, and in New York.

Arlabank has taken great pains to adopt a conservative philosophy, and bank officials say that this is respected in the market. In 1979, operating profits were just over \$5.5 million, but this more than doubled last year to approximately \$11.3 million, or slightly less than 1 percent of total assets. During the first six months of 1981, Arlabank showed a net profit of roughly \$9.2 million, indicating continued high growth and increased profitability.

### Egyptian Trade

Abdulwahab A. al-Tammar, Arlabank's director and chief executive, has been the driving force behind the bank. Mr. al-Tammar is also chairman and managing director of the Kuwait Foreign Trading, Contracting and Investment Co., which is 80-percent state-owned and one of Arlabank's two biggest shareholders. The other is Arab In-

ternational Bank, which is based in Cairo.

AIB was established in 1972 to help finance Egyptian trade, with the governments of Egypt and Libya as the largest shareholders, along with Oman, Qatar, the United Arab Emirates and private Arab interests. In spite of the 1979 Baghdad Conference — held in response to the Egyptian-Israeli Camp David accord — which called on participating Arab countries and their establishments to stop granting loans, deposits and banking facilities to the Egyptian government and its establishments, the shareholders of Arlabank work cooperatively, according to bank officials. "Politics does not exist in the bank," an official said.

The other Arab shareholders of Arlabank are the Abu Dhabi Investment Authority, Arab Banking Corp. (Bahrain), Banque Intercontinentale Arabe (Paris), Libyan Arab Foreign Bank, National Commercial Bank (Jidda) and Riyad Bank Ltd. Latin American shareholders are Banco Arabe Espanol, Banco Cafetero (Bogota), Banco de Bog-

ota, Banco de Colombia, Banco de Chile, Banco de Credito del Peru, Banco del Estado (La Paz), Banco del Estado de Chile, Banco de la Nacion (Lima), Banco de la Republica Oriental del Uruguay, Banco do Brasil, Banco Industrial (La Paz), Banco Nacional de Desarrollo (Buenos Aires), Banco Popular y de Desarrollo Comunal (San Jose, Costa Rica), Corporacion de Fomento de la Produccion (Santiago), Corporacion Financiera Colombiana and Corporacion Financiera Nacional (Quito).

Also holding shares are the Institut de Developpement Agricole et Industriel (Port-au-Prince), European Arab Holding S.A. Luxembourg, and UBAF Group Holding (Panama).

According to the September, 1981, Middle East Economic Digest report on Latin America, development agency officials from Latin America say that the participation of Arab banks in their region has been relatively small, although their contribution to growth has been positive. Their participation — due in part to Arlabank — is certain to increase during the 1980s.

## Resources Attracting Investors to Region

(Continued from Page 75)

courage foreign investment in 12 large projects that are as yet unannounced. And Venezuela seeks investment for the aluminum sector, second only to oil in export earnings.

In Brazil, a priority is agriculture, a 10-percent growth sector, with soy, coffee, orange juice, cocoa and sugar traditionally the top exports. The newly cleared tropical forest in Carajás is expected to provide millions of acres of mineral-rich soil with great potential for agriculture and tree farms.

Jari, a bold agro-industrial experiment by U.S. investor Daniel K. Ludwig, has come upon hard times, and 30 percent of the project is up for sale. Mr. Ludwig invested nearly \$1 billion in the Brazilian jungle in the 1970s on 5,600 square miles he bought for \$3 million. The 120 million fast-growing trees he planted in hopes of producing vast amounts of paper pulp did not adapt to the soil, and rice harvests fell 30 percent below expectations. The world's largest herd of water buffalo — 6,000 animals — is being sold off or slaughtered.

There are construction possibilities all over the region, but nowhere greater than in the vast hydroelectric projects. Nearly every country with rivers to harness is increasingly turning to this source of electricity.

The most ambitious of these is Argentina's plan to spend \$15 billion by the year 2000 to build 27 hydroelectric power projects. The country hopes eventually to derive 73 percent of its domestic energy needs from these sources. Three of 10 ongoing projects are on stream, and an estimated \$11 billion in international loans and foreign capital will be needed for completion.

Currently, Argentina's biggest dam project is under construction on the Paraná River, constantly fed by melting snows from the Andes and the tropical rains of Brazil and Paraguay. Scheduled for start-up in 1986, Yacretá Binacional, a joint project between Argentina and Paraguay, will cost about \$7.2 billion. About 25 construction firms from 12 countries have bid on the 2,700-megawatt complex.

The biggest hydroelectric plant in the world is Itaipú, a 12,600-megawatt complex being built on the Paraná's Iguazú Falls between Brazil and Paraguay. Itaipú, at a cost of nearly \$13 billion, is expected to

produce half of Brazil's generating capacity. At least \$1.5 billion is needed to complete the scheme. To date, most financing has been obtained through suppliers' credits, private and public Brazilian institutions, and Swiss and West German banks, whose companies are important equipment suppliers.

In the manufacturing sector, automakers are finding tremendous opportunities in Latin America — with the fastest-growing market in the world — 9 percent a year — for automobile and truck sales. Major European, North American and Japanese vehicle makers are scrambling to fill the need. Ford alone expects sales to at least triple by the year 2000, from 2 million to 6 million units a year.

Mexico is the darling of foreign investment in manufacturing, offering major opportunities in keeping with rapid industrial growth. About 77 percent of its anticipated \$3 billion in foreign investment this year is destined for manufacturing, and \$1 billion of that is expected in the automobile sector. Foreign investment has doubled yearly since 1979, when the government loosened restrictions on foreign firms, especially those promoting technological change and widening exports. The government especially wants more truck production. Even the financially troubled Chrysler Corp. is making money, with nearly \$30 million in 1980 profits in Mexico on more than \$1 billion in sales.

A severe shortage of capital and technology has led Mexico to offer special incentives to multinationals. "In-bond" processing plants, for export products only, may be 100-percent foreign-owned; others must observe the "Mexicanization" rule of 49-percent ownership through joint ventures. Other areas where foreign investment is welcome are high technology, jet engines, computers, petrochemicals, and transportation and port development.

In agriculture and forestry, Chile has put some of its rich and varied resources on offer to the highest bidder, as part of a market diversification away from mining. In Venezuela and Colombia, countries that do not eagerly seek foreign investors, agro-industrial programs are among the most welcome. Venezuela, which imports half its food, is hoping that foreign investment will reduce that dependency.

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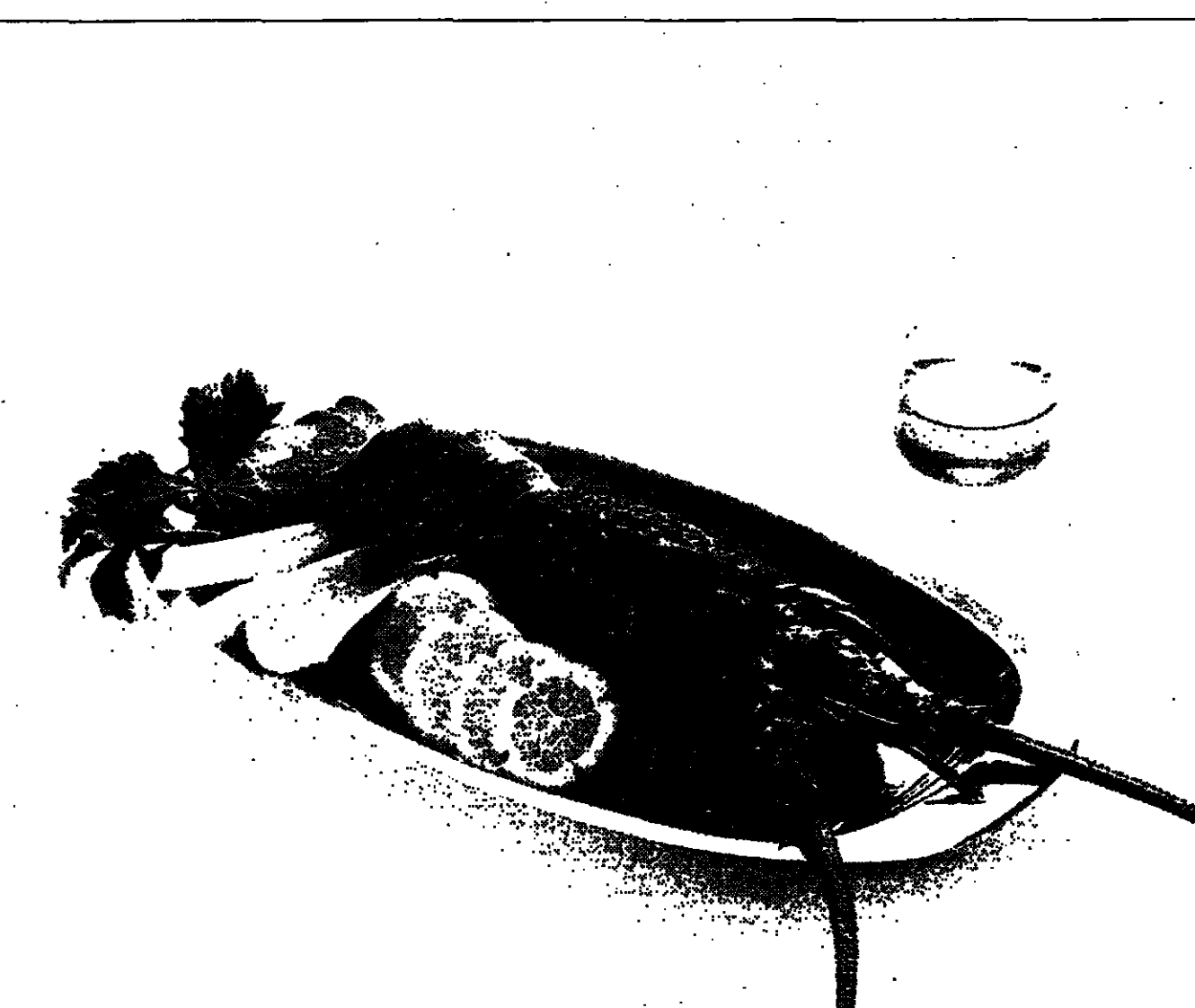
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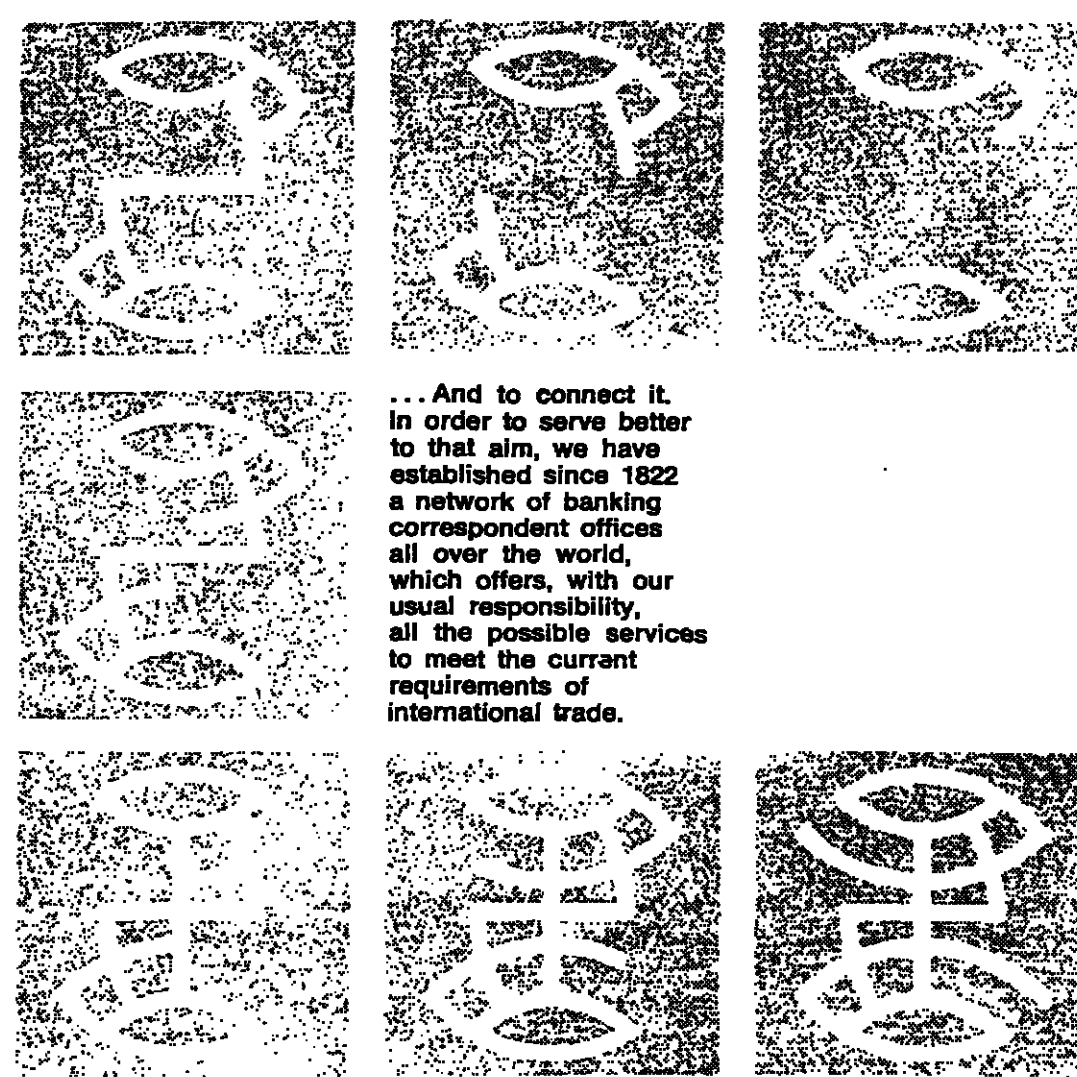
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# in LATIN AMERICA

## Brazil Attempts to Avoid Reckoning Day

(Continued from Page 75)  
 minister, Antônio Delfim Netto, Mr. Delfim rose to the post of planning minister and has become Brazil's economic "czar."  
 One of his first acts was to try to outrun the rate of inflation by out-producing it—in essence a type of supply-side economics. Acting on the belief that there was considerable excess capacity in some sectors, Mr. Delfim sought to stimulate production in these sectors in the expectation that the increased supply would cause prices to fall. The experiment was disastrous. Inflation rose from 40.8 percent in 1978 to 77.2 percent in 1979 and to the record level of 110.2 percent in 1980.

**Signs of Discard**  
 In late 1979, the first signs of discord between Brazil and its bankers appeared. The government negotiated a \$1.2-billion "jumbo" loan syndication at Libor plus 7/8 percent. At the time, spreads were beginning to rise, and the banking community asked Brazil instead to take down three sepa-

rate loans of \$400 million each, with the later loans paying higher spreads. Brazil insisted and, according to some bankers, promised that the country would return to the market in January or February of 1980 to compensate the banks for committing at the low 7/8 spreads. But Brazil did not go to the market until May. It was not surprising, therefore, to hear bankers saying in 1980 that Brazil should seek a standby loan from the International Monetary Fund rather than draw more funds from the private banking community.

This tactic yielded the expected results. Brazil's antipathy for International Monetary Fund-mandated economic belt tightening is well-known. The country acceded to bankers' demands for higher spreads and is now paying an incredible 2.25 percent over Libor (or 2 percent over the U.S. prime rate). On bank-to-bank loans, the business is even more attractive. In addition to the normal spread, Brazil pays a commission that ranges from 0.5 percent to 1 percent in cruzeiros (used to defray

local office expenses and tax receipts). The effective yield to foreign banks on such loans is reported to be on the order of 8 percent to 9 percent.

Therein lies the reason for continued bank financing to Brazil. When one considers that Poland, a centrally planned economy under the threat of Soviet intervention, has rescheduled its foreign debt at 1.75 per cent over Libor, it is easy to see why a banker would be more anxious to lend to a country such as Brazil where market information flows relatively freely, there is no external threat to the country and the bank can earn an effective yield of 8 percent to 9 percent.

But both the banks and the country appear to have poorly estimated the world economy.

The strengthening of the U.S. dollar on world markets in 1981 has severely eroded the Eurodollar funding capacity of European and Japanese banks. U.S. banks have come perilously close to their lending limits for Brazil with three months remaining in the year. As a result, the remainder of 1981 and

most of 1982 may be a difficult period for Brazil and its bankers. Even with a yield curve so obviously attractive, the banks may not be able to continue funding as before.

There is an uneasy feeling in banking circles that the merry-go-round may be slowing. Many of the banks are in too deep, however. "Nobody wants to be the first to get off," a banker said.

Obviously, the final chapter of Brazil's balance-of-payments problems, particularly those stemming from debt service, is yet to be written. Brazil is currently much more sensitive to a change in foreign interest rates than it is to a change in petroleum prices.

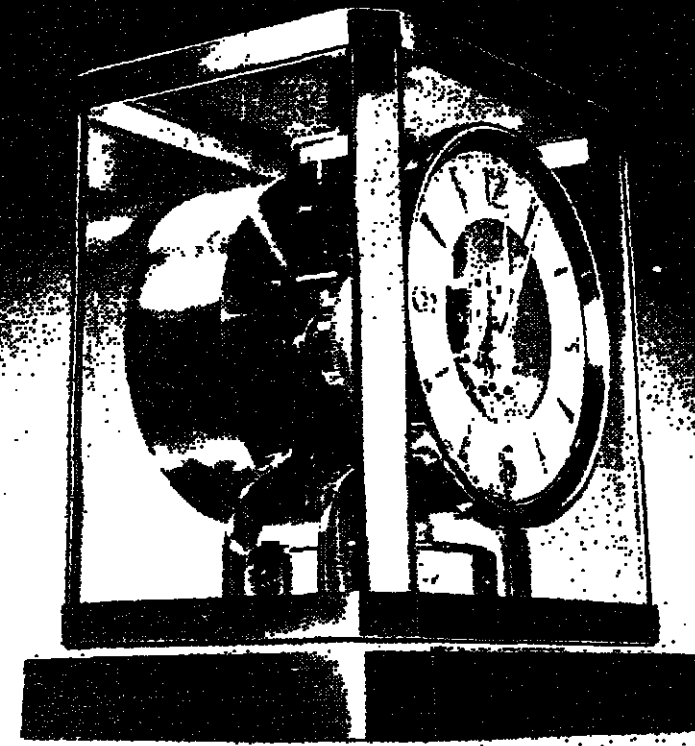
A 1-percentage-point increase in foreign money rates costs Brazil the cash flow equivalent of \$300 million. The same increase in petroleum prices generates a \$100-million expenditure. An international banker said, "Brazil missed a golden opportunity to consolidate its growth over the last 15 years, and we helped the country miss it by financing so heavily."

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**BANCO DE LA NACION ARGENTINA**

# A TRAVES DEL TIEMPO... (TIME)



## Oil Thrusting Venezuela, Mexico Into Leading Roles

(Continued from Page 75)  
 about \$5 billion and its debt service is a low 15 percent of exports.

Since 1972, Ecuador's growth has been financed by higher oil prices and growing indebtedness, but that era is coming to an end. The drop in oil prices will mean a growing current account deficit and growing pressure to reduce the lavish government spending under the civilian government. Ecuador's aggressive borrowing is pushing up the foreign debt well over \$4 billion by the end of 1981. Debt service will be over 36 percent of export revenues.

Ecuador's most serious problem is the low level of oil exploration. The administration has submitted a long-awaited bill to modify the unfavorable terms of exploration contracts, but oil companies found the proposals disappointing. Even this bill may not be able to pass Congress.

The Bolivian economy is in a state of severe crisis caused primarily by a shortage of foreign exchange. Negotiations with the IMF for a two-year, \$220 million standby loan have been stalled for months, due in part to international condemnation of the military government for its role in cocaine trade. The government clamped down severe exchange controls in

early August, but the IMF is reportedly pressuring for a 30 percent devaluation of the peso. The government lacks the exchange to meet payments on the \$3.7 billion foreign debt.

Central America's foreign debt burden, not including Panama, was already a heavy \$7.5 billion at the end of 1980 and is climbing in all five countries. Costa Rica is struggling desperately to make ends meet until the February election brings in a new government. Even after receiving the first tranche of an IMF standby agree-

ment in July, Costa Rica could not obtain additional credit from the banks, which are waiting for the elections before committing more funds. Furthermore, recent decisions by the legislature and the Supreme Court have threatened the administration's ability to carry out the policies it promised the IMF, and the agreement appears doomed to fall apart.

In El Salvador, the fiscal deficit, and the need for loans, is growing rapidly. Only \$24 million in 1979, the deficit grew to \$198 million in 1980 and is projected at \$295 million

this year, as the government finances the war effort and injects money into an economy that shrank 10 percent in 1980. According to government data, however, the debt was still a low \$477 million at the end of 1980.

Political upheavals in Guatemala have caused a severe capital flight, which is depleting the country's usually high level of international reserves, down to an uncomfortable \$200 million or less by the end of 1981. The government is also increasing its spending, by 77 percent this year, and its borrowing to make up for lagging private investment. There is yet little concern, however, because the debt is low and the service is insignificant.

The Nicaraguan government will assume a growing role in the economy, as the private sector continues to withdraw, creating greater pressures on spending. The country is also suffering from a wrenching trade deficit, estimated at \$400 million this year, because of low coffee prices and low output of other exports.

Although it has renegotiated its debt with the international banks, Nicaragua is depending on donations and low-interest multilateral and government-to-government loans to meet its day-to-day foreign exchange needs.

**JANE BAIRD** has most recently become an associate editor at Institutional Investor. She has previously worked for Business International and other publications.

**PAMELA BAYLESS** is the former editor of Special Sections for Newsweek International. She is a former editor for The Asian Wall Street Journal Weekly.

**JAMES WYGAND**, an economist, is a private consultant in Rio de Janeiro on corporate strategic planning, mergers and acquisitions, and international banking.

**CRAIG JUSTICE** is an American journalist based in Europe.

**CYNTHIA VICE** is a free-lance writer based in Mexico and a former reporter for The Associated Press.

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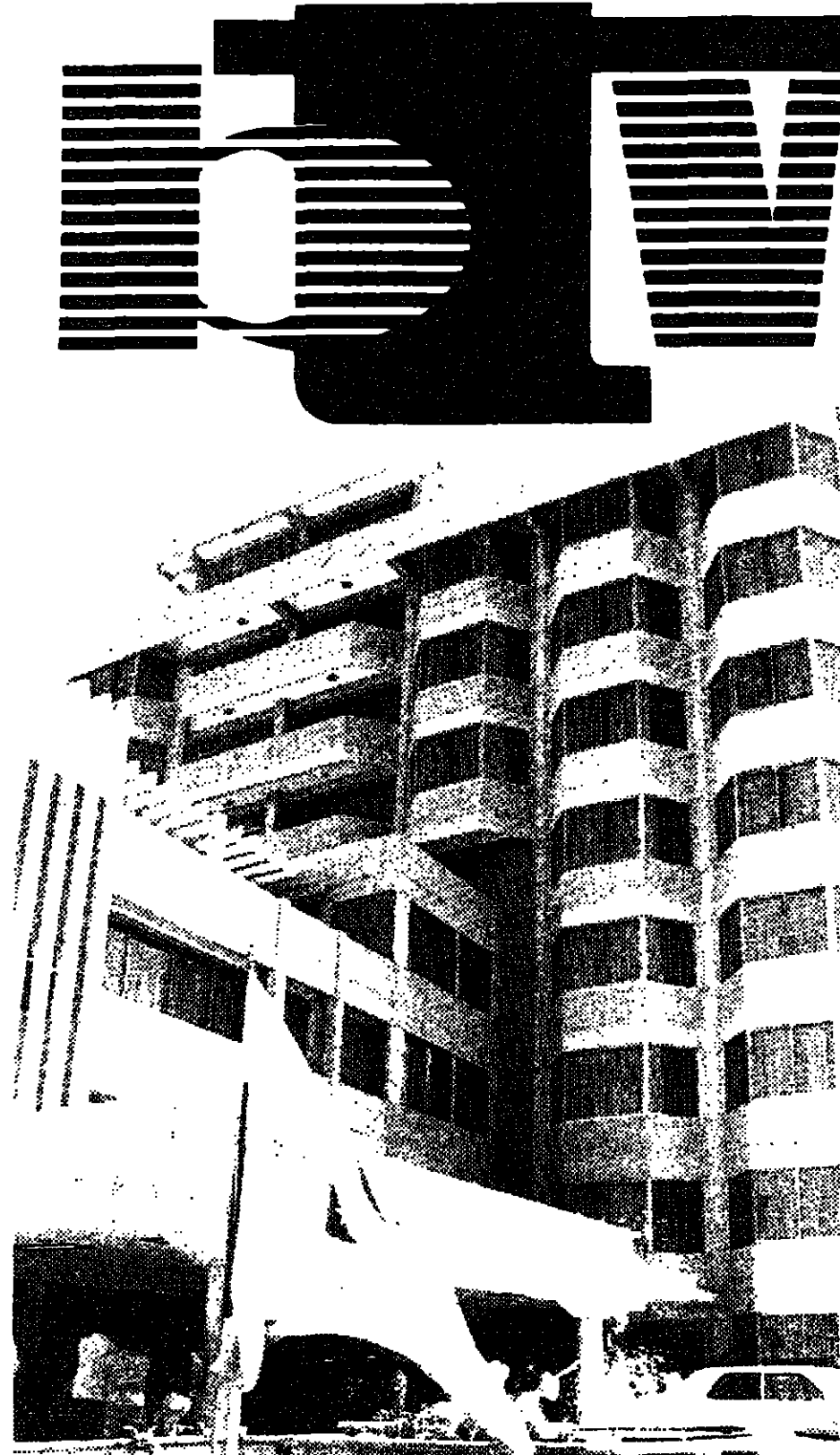
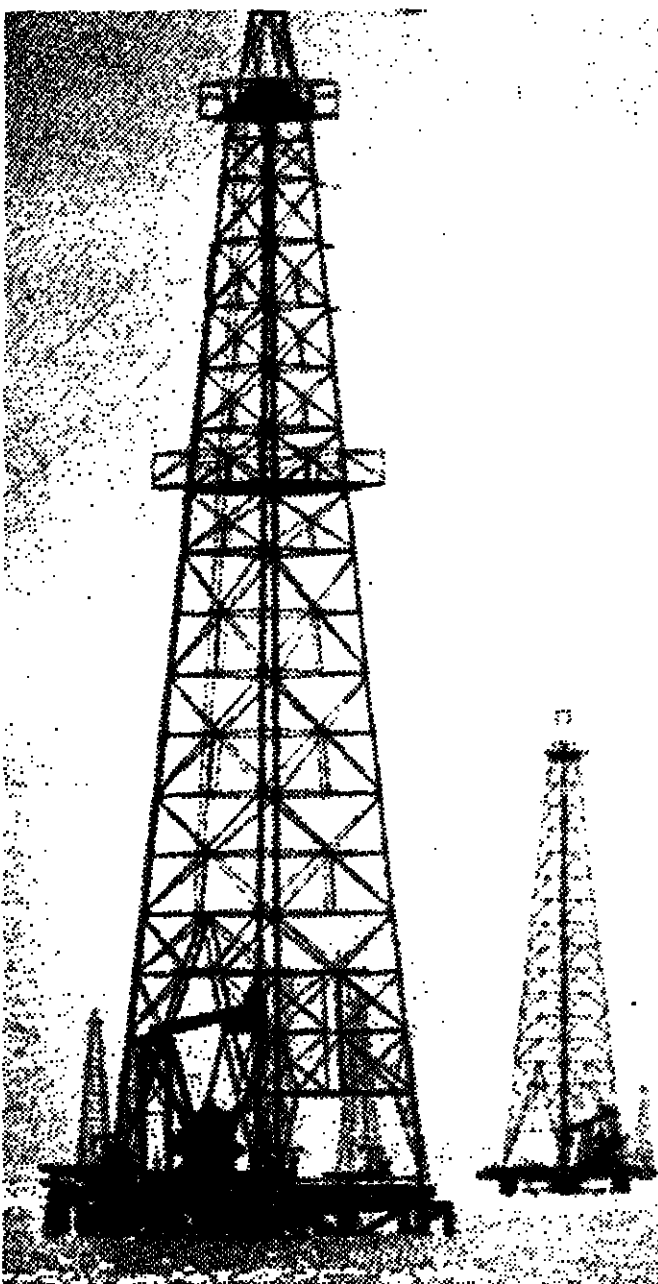
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Africa, ex-Fr. comm. (air).....\$	230.00	115.00	63.00	Iran (air).....\$	248.00	124.00	69.00	Polynesia, French (air).....\$	248.00	124.00	69.00
Africa, others (air).....\$	330.00	165.00	92.00	Iraq (air).....\$	248.00	124.00	69.00	Portugal (air).....Esc.	7,200.00	3,600.00	1,980.00
Algeria (air).....\$	230.00	115.00	63.00	Iceland (air).....\$	230.00	115.00	63.00	Romania (air).....\$	230.00	115.00	63.00
Austria.....Sch.	2,700.00	1,350.00	736.00	Ireland.....£Ir.	72.00	36.00	19.80	Saudi Arabia (air).....\$	248.00	124.00	69.00
Belgium.....B.Fr.	5,400.00	2,700.00	1,500.00	Israel (air).....\$	248.00	124.00	69.00	South America (air).....\$	330.00	165.00	92.00
Canada (air).....\$	230.00	115.00	63.00	Italy.....Lire	144,000.00	72,000.00	39,600.00	Spain (air).....Ptas.	12,600.00	6,300.00	3,520.00
Bulgaria (air).....\$	330.00	165.00	92.00	Kuwait (air).....\$	330.00	165.00	92.00	Sweden (air).....S.Kr.	810.00	405.00	225.00
Cyprus (air).....\$	230.00	115.00	63.00	Lebanon (air).....\$	248.00	124.00	69.00	Switzerland.....S.Fr.	320.00	160.00	90.00
Czechoslovakia (air).....\$	230.00	115.00	63.00	Libya (air).....\$	248.00	124.00	69.00	Tunisia (air).....\$	230.00	115.00	63.00
Denmark (air).....D.Kr.	990.00	495.00	270.00	Luxembourg.....L.Fr.	5,400.00	2,700.00	1,500.00	Turkey (air).....\$	230.00	115.00	63.00
Egypt (air).....\$	248.00	124.00	69.00	Malagasy (air).....\$	330.00	165.00	92.00	U.A.E. (air).....\$	330.00	165.00	92.00
Ethiopia (air).....\$	330.00	165.00	92.00	Malta (air).....\$	230.00	115.00	63.00	U.S.S.R. (air).....\$	230.00	115.00	63.00
Finland (air).....F.M.	810.00	405.00	225.00	Mexico (air).....\$	330.00	165.00	92.00	U.S.A. (air).....\$	230.00	115.00	63.00
France.....F.F.	720.00	360.00	198.00	Morocco (air).....\$	230.00	115.00	63.00	Yugoslavia (air).....\$	230.00	115.00	63.00
Germany.....D.M.	360.00	180.00	100.00	Netherlands.....Fl.	406.00	203.00	112.00	Zaire (air).....\$	330.00	165.00	92.00
Great Britain.....£St.	54.00	27.00	15.00	Norway (air).....N.Kr.	810.00	405.00	225.00	Other Eur. Countr. (air).....\$	230.00	115.00	63.00

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Delhi Agrees To Merger With CSR

New York Times Service NEW YORK — Delhi International Oil has agreed to merge with a subsidiary of CSR of Australia...

Slide Continues On U.K. Markets

By Leonard Downie Jr. Washington Post Service LONDON — Share prices continued to fall drastically Thursday on the London Stock Exchange...



A headline outside London's Stock Exchange gives the bad news inside.

U.S. Inflation Slowed in August To Annual Rate of 10.6 Percent

The Associated Press WASHINGTON — Rising housing costs moderated in August but still pushed inflation to a 10.6 percent annual rate...

energy prices, brought on by the worldwide surplus of oil. In a separate report, the Labor Department said real spendable earnings...

The unadjusted Consumer Price Index rose to 276.5 in August, which means that goods and services costing \$10 in 1967 could have cost \$27.65 last month.

Concern Over Reagan Plan Sends NYSE Prices Lower

NEW YORK — Investor uncertainty in advance of President Reagan's economic speech Thursday night caused prices on the New York Stock Exchange to close lower, analysts said.

Grumman fell 1 1/2 to 34 1/2. It gained over 9 points Wednesday after LTV offered \$4 a share for 70 percent of its stock.

Mobil Weighs Sale Of 2 Canada Units

NEW YORK — Mobil Oil Corp. said Thursday it is considering the sale of two recently acquired subsidiaries, Mobil-GC Canada Ltd. and Mobil-TO Canada Inc.

GAO Criticizes Restructuring Plan for AT&T

United Press International WASHINGTON — Serious flaws exist in government plans to deregulate the telecommunications industry by permitting American Telephone & Telegraph Co. to offer new services through a separate subsidiary...

The FCC decision, scheduled to take effect March 1, would break up AT&T so it could enter unregulated fields now closed to it. It also would deregulate the telephone equipment industry and would open interstate calls to more competition.

is applied, and failed after a 20-year struggle to develop an effective means of determining what it costs AT&T to provide specific services, the GAO said.

marked down most notably immediately after the opening of the New York market, on some fairly heavy selling by U.S. operators.

Dollar Eases in New York from Early High

From Agency Dispatches NEW YORK — The dollar was ahead of Wednesday's close at midday Thursday, though down slightly from its high opening levels, dealers said.

Market speculation that Mr. Reagan's speech would offer the prospect of lower interest rates caused the slippage in the dollar, dealers in Europe said.

BUSINESS NEWS BRIEFS

Belgium Firm Making Offer for Tanks Investments

LONDON — Societe Generale de Belgique said Thursday that it or a subsidiary will bid up to 450 pence a share for Tanks Consolidated Investments. The offer values Tanks' ordinary capital at \$77.3 million.

Sun Tentatively Agrees to Sell Texas Refinery

RADNOR, Pa. — Sun has tentatively agreed to sell its Corpus Christi, Texas, oil refinery and certain related assets to Koch Industries for \$265 million in cash, Sun said Thursday.

Chris-Craft to Sell Boat Divisions to Murray

BRADENTON, Fla. — Chris-Craft Industries has reached agreement on the sale of its boat manufacturing divisions to Murray Industries of Delaware, Chris-Craft has announced.

Hudson Bay Mining Withdraws Francana Bid

TORONTO — Hudson Bay Mining & Smelting is withdrawing its offer to purchase the remaining shares of Francana Oil & Gas at \$32 a share because of unsettled market conditions, Hudson Bay announced Thursday.

Aquitaine of Canada's Board Backs CDC Bid

CALGARY, Alberta — Aquitaine of Canada's board of directors will recommend that minority shareholders accept the offer by CDC Petroleum to buy all the outstanding shares of Aquitaine that CDC does not already own, Aquitaine said Thursday.

AMC Offers Cash Rebates on Some 1982 Jeeps

SOUTHFIELD, Mich. — American Motors will pay cash rebates of \$500 on its 1982 "J" series of Jeep pickup trucks and \$750 on Jeep Cherokee and Wagoneer models, AMC said Thursday.

Kodak, Berkey Settle Suit

NEW YORK — Eastman Kodak and Berkey Photo have settled an antitrust suit that Berkey filed against Kodak in January, 1973.

The settlement covers camera flash claims brought by Berkey under Section 1 of the Sherman Antitrust Act, the companies said. As part of the agreement, all other claims were dropped without payment.

Ottawa Firm on Tightening Foreign Investment Control

OTTAWA — Canada is pursuing plans to strengthen its foreign investment controls despite U.S. pressure, a spokesman for Prime Minister Pierre Elliott Trudeau said Thursday.

The cabinet is considering laws to strengthen the controversial Foreign Investment Review Agency, or FIRA, its investment watchdog, which Washington opposes.

Meanwhile, British Columbia and the Ottawa government signed an energy accord Thursday under which the province will remit withheld revenues to Ottawa in return for a zero-rated natural gas and gas liquid tax, starting Oct. 1, through 1986.

Davy to Complete Talks on Indian Steelworks Supply

LONDON — The Davy Corp. has been selected by the Indian government to complete negotiations on behalf of a European group for the supply of a steel plant worth more than \$1.25 billion (about \$3.33 billion), Davy said Thursday.

The project, which will take four years to complete, is for the first stage of an integrated iron and steelmaking and rolling plant with an annual capacity of 1.3 million metric tons, to be built for the Steel Authority of India in the state of Orissa in eastern India.

Nissan to Raise Car Prices

CARSON, Calif. — Nissan Motor U.S.A. will raise prices on its 1982 cars and trucks an average of \$378, or 4.6 percent. The distributor of the Datsun said Wednesday the higher prices reflect inflation, product improvements and the addition of a new mid-size car.

CURRENCY RATES

Table with columns for Currency, Par, and Exchange Rates. Includes sub-tables for Dollar Values and Euro Values.



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# NYSE Nationwide Trading Closing Prices Sept. 24

Tables include the nationwide prices up to the closing on Wall Street.

(Continued from Page 6)

12 Month High	12 Month Low	Div.	Yield	P/E	High	Low	Close	Change
129	129	0.00	0.00	0.00	129	129	129	0
130	130	0.00	0.00	0.00	130	130	130	0
131	131	0.00	0.00	0.00	131	131	131	0
132	132	0.00	0.00	0.00	132	132	132	0
133	133	0.00	0.00	0.00	133	133	133	0
134	134	0.00	0.00	0.00	134	134	134	0
135	135	0.00	0.00	0.00	135	135	135	0
136	136	0.00	0.00	0.00	136	136	136	0
137	137	0.00	0.00	0.00	137	137	137	0
138	138	0.00	0.00	0.00	138	138	138	0
139	139	0.00	0.00	0.00	139	139	139	0
140	140	0.00	0.00	0.00	140	140	140	0
141	141	0.00	0.00	0.00	141	141	141	0
142	142	0.00	0.00	0.00	142	142	142	0
143	143	0.00	0.00	0.00	143	143	143	0
144	144	0.00	0.00	0.00	144	144	144	0
145	145	0.00	0.00	0.00	145	145	145	0
146	146	0.00	0.00	0.00	146	146	146	0
147	147	0.00	0.00	0.00	147	147	147	0
148	148	0.00	0.00	0.00	148	148	148	0
149	149	0.00	0.00	0.00	149	149	149	0
150	150	0.00	0.00	0.00	150	150	150	0
151	151	0.00	0.00	0.00	151	151	151	0
152	152	0.00	0.00	0.00	152	152	152	0
153	153	0.00	0.00	0.00	153	153	153	0
154	154	0.00	0.00	0.00	154	154	154	0
155	155	0.00	0.00	0.00	155	155	155	0
156	156	0.00	0.00	0.00	156	156	156	0
157	157	0.00	0.00	0.00	157	157	157	0
158	158	0.00	0.00	0.00	158	158	158	0
159	159	0.00	0.00	0.00	159	159	159	0
160	160	0.00	0.00	0.00	160	160	160	0
161	161	0.00	0.00	0.00	161	161	161	0
162	162	0.00	0.00	0.00	162	162	162	0
163	163	0.00	0.00	0.00	163	163	163	0
164	164	0.00	0.00	0.00	164	164	164	0
165	165	0.00	0.00	0.00	165	165	165	0
166	166	0.00	0.00	0.00	166	166	166	0
167	167	0.00	0.00	0.00	167	167	167	0
168	168	0.00	0.00	0.00	168	168	168	0
169	169	0.00	0.00	0.00	169	169	169	0
170	170	0.00	0.00	0.00	170	170	170	0
171	171	0.00	0.00	0.00	171	171	171	0
172	172	0.00	0.00	0.00	172	172	172	0
173	173	0.00	0.00	0.00	173	173	173	0
174	174	0.00	0.00	0.00	174	174	174	0
175	175	0.00	0.00	0.00	175	175	175	0
176	176	0.00	0.00	0.00	176	176	176	0
177	177	0.00	0.00	0.00	177	177	177	0
178	178	0.00	0.00	0.00	178	178	178	0
179	179	0.00	0.00	0.00	179	179	179	0
180	180	0.00	0.00	0.00	180	180	180	0
181	181	0.00	0.00	0.00	181	181	181	0
182	182	0.00	0.00	0.00	182	182	182	0
183	183	0.00	0.00	0.00	183	183	183	0
184	184	0.00	0.00	0.00	184	184	184	0
185	185	0.00	0.00	0.00	185	185	185	0
186	186	0.00	0.00	0.00	186	186	186	0
187	187	0.00	0.00	0.00	187	187	187	0
188	188	0.00	0.00	0.00	188	188	188	0
189	189	0.00	0.00	0.00	189	189	189	0
190	190	0.00	0.00	0.00	190	190	190	0
191	191	0.00	0.00	0.00	191	191	191	0
192	192	0.00	0.00	0.00	192	192	192	0
193	193	0.00	0.00	0.00	193	193	193	0
194	194	0.00	0.00	0.00	194	194	194	0
195	195	0.00	0.00	0.00	195	195	195	0
196	196	0.00	0.00	0.00	196	196	196	0
197	197	0.00	0.00	0.00	197	197	197	0
198	198	0.00	0.00	0.00	198	198	198	0
199	199	0.00	0.00	0.00	199	199	199	0
200	200	0.00	0.00	0.00	200	200	200	0

## Eurocurrency Interest Rates

Rate	12 Month	6 Month	3 Month	1 Month
1A	14.16	11.16	10.11	10.11
2A	14.16	11.16	10.11	10.11
3A	14.16	11.16	10.11	10.11
4A	14.16	11.16	10.11	10.11
5A	14.16	11.16	10.11	10.11
6A	14.16	11.16	10.11	10.11
7A	14.16	11.16	10.11	10.11
8A	14.16	11.16	10.11	10.11
9A	14.16	11.16	10.11	10.11
10A	14.16	11.16	10.11	10.11
11A	14.16	11.16	10.11	10.11
12A	14.16	11.16	10.11	10.11
13A	14.16	11.16	10.11	10.11
14A	14.16	11.16	10.11	10.11
15A	14.16	11.16	10.11	10.11
16A	14.16	11.16	10.11	10.11
17A	14.16	11.16	10.11	10.11
18A	14.16	11.16	10.11	10.11
19A	14.16	11.16	10.11	10.11
20A	14.16	11.16	10.11	10.11

## European Stock Markets

Market	Index	Change
Amsterdam	Amst 350	+1.2
Brussels	Brus 350	+0.8
Frankfurt	Frank 350	+1.5
London	Ind 350	+2.1
Paris	CAC 350	+1.8
Zurich	Zur 350	+0.5
Milan	Mil 350	+1.0

### Gold Options (quoted in \$/oz.)

Month	Nov	Dec	Jan	Feb	Mar
400	200.00	200.00	200.00	200.00	200.00
450	200.00	200.00	200.00	200.00	200.00
500	200.00	200.00	200.00	200.00	200.00
550	200.00	200.00	200.00	200.00	200.00
600	200.00	200.00	200.00	200.00	200.00

Call Gold 400-425  
Put Gold 400-425

### Paris

Company	Price	Change
Air France	120.00	+1.0
Alcatel	150.00	+0.5
Bois de France	180.00	+1.2
BNP	200.00	+0.8
Carrefour	220.00	+1.5
Elf	250.00	+1.0
Electricite de France	280.00	+0.5
Imperial Chemical	300.00	+1.2
Industrie de la Cellulose	320.00	+0.8
Lyonnaise des Eaux	350.00	+1.0
Matras	380.00	+1.5
Michelin	400.00	+1.2
Orpea	420.00	+0.8
Peugeot	450.00	+1.0
Renault	480.00	+1.5
Saatchi & Saatchi	500.00	+1.2
Schneider	520.00	+0.8
Societe Generale	550.00	+1.0
St. Gobain	580.00	+1.5
Talbot	600.00	+1.2
Terraplanet	620.00	+0.8
Thyssen	650.00	+1.0
Unicredit	680.00	+1.5
Veolia	700.00	+1.2
Wolff	720.00	+0.8
Zenith	750.00	+1.0

# Flash... Paris Bourse

SEPT. 24, 1981

COMPANY	INDUSTRY	1980-81 HIGH-LOW	CLOSING PRICE	1980-81 HIGH-LOW	P/E	YIELD (%)	DIVIDENDS PER SHARE	SHARES OUTSTANDING (000)
<b>BOUYGUES</b>	Construction	955 - 412	945	945 - 900	12	2.2	40.0c - 52.5c - 75.0c	2,000
Latest company news: The latest m <sup>1</sup> contracts signed by Bouygues: University of Riyad, Babayan Bridge in Kuwait, New Airport Dar El Salam in Tanzania, Hospitals in Saudi Arabia, Buildings in Nigeria.								
<b>CREDIT COM. DE FRANCE</b>	Bank	214.00 - 114	No quotation	---	---	---	17.5c - 19.2c - 24.4c	4,197
Latest company news: Net earnings for 1980 were 127,513,000 MF against 84,375,000 MF in 1979.								
<b>ELF - AQUITAINE</b>	Petrol	1555 - 445	749	130 - 770	2	7.0	83.0c - 307.0c - 321.0c	18,127
Latest company news: Group's cash flow, on a L.F.C. basis, was 13,911 million francs in 1980 compared to 11,955 million francs in 1979. Consolidated net income in 1980 attained 5,817 million francs compared to 5,571 million francs in 1979.								
<b>BURAFRANCE</b>	Holding	399 - 195.20	315	335 - 309	3	5.2	61.0c - 99.50c - 111.40c	2,193
Latest company news: Net consolidated profit 1980: 244.2 MF vs. 218.2 MF in 1979. This represents a progression of 13.8%. Since 31-12-1980 Burafrance has continued in its diversification policy in carrying its participation in Virapric from 12.6% to 26.1%.								
<b>MATRA</b>	Electronics	2550 - 632	No quotation	---	---	---	580.00 - 669.20 - 173.00	1,218
Latest company news: MATRA and TANDY have reached an agreement in principle to manufacture in France the micro-computer T80 model III.								
<b>ORSEL (L<sup>1</sup>)</b>	Chemicals & Pharmaceuticals	815 - 390	780	815 - 770	10	2.8	14.8c - 74.95c - 81.6c	3,940
Latest company news: Consolidated sales: 36, 8,535 MF (+ 16.7%). Net consolidated profit: 377 MF; first quarter '81 consolidated sales + 15.3%. Signature of a letter of intent between Synthelabo and Seale to set up a common subsidiary in the U.S.								

(b) Tax credit not included. (c) Consolidated.

TO INCLUDE YOUR COMPANY IN THIS LISTING - CONTACT ANYLINE OFFSHORE LTD., PARIS 75712-05.

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provides the following choice of investments:

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- Short Term 'B' Units: Invested in instruments denominated in the SDR currencies and Swiss francs with maturities less than 12 months. Both redeemable on a 3 days notice.
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Information and Prospectus from: ESC Trust Company (Jersey) Limited, 38-34 Hill Street, 3, Heller House, C.I. Tel: 033 43231  
Banque Generale de Luxembourg S.A. 14 Rue Aldringen, Luxembourg Tel: 47991  
Daily prices are published in this newspaper under 'International Funds'.

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You may qualify for Bachelor's, Master's or Doctorate.  
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Guaranteed to earn the College Accreditation of Pacific Institution.



U.S. COMMODITY PRICES

Chicago Futures

Table of Chicago futures prices for Sept. 24, 1981, including Wheat, Soybeans, and Corn.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Sharp Slides Continue Across Asian Bourses

HONG KONG — The steep decline continued Thursday on major Asian stock exchanges, with the Hong Kong Hang Seng index lost 93.23 points by midmorning before recovering to finish at 1,322.69, off only 8.32. It had topped 1,800 in mid-July.

In Singapore and Kuala Lumpur, where share prices are 30 percent below their peaks at the end of June, analysts said a market rally over the last month were artificially bolstered by stock exchange measures to curb short selling.

Skepticalism Fuels Price Slide in London

(Continued from Page 13) The outlook was bolstered by the predictions of Joseph Granville, a maverick U.S. investment adviser, that the New York and London markets would fall much further.

Skepticalism Fuels Price Slide in London

Thatcher intended, is estimated to greatly exceed projections during the next fiscal year. That would increase the budget deficit and government borrowing, fueling inflation and possibly forcing interest rates up further.

London Metals Market

Table of London metals market prices for Sept. 24, 1981, including Copper, Lead, and Zinc.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Cash Prices

Table of cash prices for Sept. 24, 1981, including various grades of sugar and coffee.

Commodity Indexes

Table of commodity indexes for Sept. 24, 1981, including various market baskets.

International Monetary Market

Table of international monetary market prices for Sept. 24, 1981, including British Pounds and Canadian Dollars.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

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Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Dividends

Table of dividends for Sept. 24, 1981, including various companies.

Company Reports

Table of company reports for Sept. 24, 1981, including revenue and profit data.

Market Summary

Table of market summary for NYSE Most Actives on Sept. 24, 1981.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

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Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Friday's New Highs and Lows

Table of Friday's new highs and lows for various commodities.

Paris Commodities

Table of Paris commodities prices for Sept. 24, 1981, including various grades of sugar.

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Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Open High Low Settle

Table showing price movements for various commodities like Soybean Meal and Soybean Oil.

Floating Rate Notes

Table of floating rate notes for Sept. 24, 1981, including various bank notes.

Vehicle Output Slumps in Japan

TOKYO — Japan's vehicle production fell 33.5 percent in August to 689,200 units from 1.04 million in July — the second largest output ever, the Japan Automobile Manufacturers' Association said Thursday.

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Non Banks

Table of non-bank floating rate notes for Sept. 24, 1981.

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NYSE Nationwide Trading Closing Prices Sept. 24

Table with multiple columns listing stock symbols, prices, and trading volumes. Includes sub-sections for 'Continued from Page 14' and 'Tables include the nationwide prices up to the closing on Wall Street.'

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HILLANDALE at Georgetown

VILLA MAGNA OCEANFRONT IN PALM BEACH COUNTY, FLORIDA. Florida's Finest Condominium. 92 Unique Two & Three Bedroom Condominium Apartments.

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FINEST PECAN GROVE. Just we've handled in 25 years, 1120 acres of land from Albany, Ga.

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OJAI VALLEY RANCH, CALIFORNIA 994 acres of beautiful, secluded countryside adjoining the prestigious OJAI VALLEY INN and COUNTRY CLUB.



AMEX Nationwide Trading Closing Prices Sept. 24

Tables include the nationwide prices up to the closing on Wall Street.

Main table of AMEX stock prices, organized by 12-month stock, 12-month stock, and 12-month stock columns, listing various companies and their closing prices.

Table of international stock prices, including 12-month stock, 12-month stock, and 12-month stock columns, listing various international companies and their closing prices.

The world at your finger tips.
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Inclusive. In depth. International.

Toronto Stocks Closing Prices, Sept. 23, 1981. Table listing various Toronto stock prices.

Selected Over-the-Counter Closing Prices, Sept. 24, 1981. Table listing over-the-counter stock prices.

Canadian Indexes. Table listing various Canadian index values and performance metrics.

CLASSIFIED ADVERTISEMENTS (Continued from Page 19)

Real Estate Wanted/Exchange, Employment, Tax Free Cars, Autos, and other classified advertisements.

Low Cost Flights

Low Cost Flights advertisement listing airlines, routes, and fares.

Hotels, Restaurants, Night Clubs

Hotels, Restaurants, Night Clubs advertisement listing various establishments.

Escorts & Guides

Escorts & Guides advertisement listing various services and agencies.







Expos Take NL East Lead

From Agency Dispatches: MONTREAL — Montreal re- placed St. Louis at the top of the National League East Wednesday, and the races tightened in all three other major league divisions.

triple and scored on an error and Steve Henderson singled in the Cubs' other run to beat New York, 2-1, as Mike Krutok limited the Mets to two hits in eight innings.

ed a bases-empty home run to back the five-hit pitching of Rick Langford, as Oakland blanked the Blue Jays, 6-0, for a sweep of a three-game series.



Eamonn Coghlan contributing to congestion on Fifth Avenue.

Coming: The Worldly Mile

By George Vecsey New York Times Service NEW YORK — A blue city has interrupted Eamonn Coghlan's reverie Tuesday. He was running down Fifth Avenue when the driver swerved into the right lane, forcing Coghlan to slow down.

a surface normally reserved for motor vehicles. Saturday, instead of dealing with taxi drivers doing their best homicidal Robert DeNiro imitation behind the wheel and motorists racing through red lights and cyclists whizzing against traffic and people walking dogs the size of mountain lions and manies wheeling perambulators — all of which Coghlan handled with swivel-bipped aplomb Tuesday — he will merely be facing Steve Scott, John Walker, Thomas Wessinghage, Sydney Maree and other top milers.

way to run a race that has never been held before. "Nobody's ever run a mile like this on a city street," he said later. "I couldn't compare it to the two Olympic Games I was in, where it's the culmination of four years of training. It's really like a carnival. But it could be a great race."

Wednesday's Major League Scores

Table with columns for National League and American League scores, listing teams, scores, and key players.

Olympic Panel Seeks Open Games

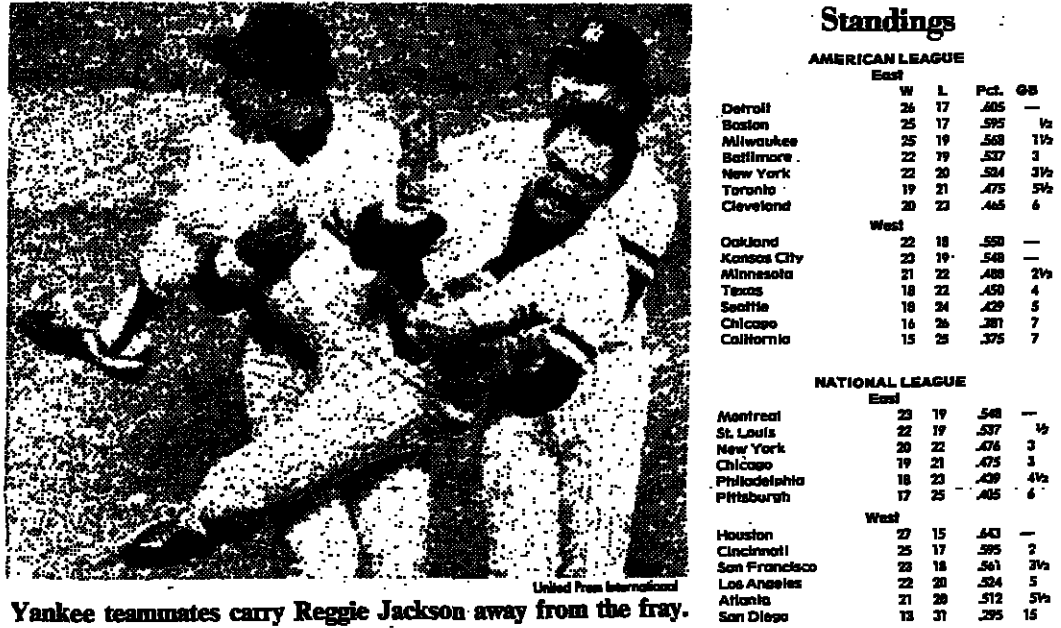
The Associated Press BADEN-BADEN, West Germany — Talks that could lead to professional and amateur athletes competing in the Olympic Games are under way at the 11th Olympic Congress.

commission. "If openly declared, the athlete has every right to receive it." The report asserts that present-day athletes are not amateurs and at the same time are not true professionals. "They are simply paid athletes," it says.

Lord Killanin, the former president of the International Olympic Committee, made a sharp attack on former President Carter Thursday. Recalling the problems during his tenure, Killanin denounced the U.S.-led boycott of the Moscow Games last year.

"Little did we realize that the Olympic movement and the Olympic competitors were to be sacrificed by the ill-advised, unprepared action of the president of the United States of America, who endeavored to sabotage the Olympic games in Moscow — the Olympic games, the property of us all here and not that of the Soviet Union," Killanin told the congress. "I am glad to say this failed, and I believe the attempt is regretted by all concerned."

He began in front of the Metropolitan Museum of Art, with colored banners advertising the shows within. The Empire State Building jutted into the sky, and the windows of lush apartment houses glistened with teases of afternoon sun.



Yankee teammates carry Reggie Jackson away from the fray.

Standings

Table showing league standings for American League and National League, including teams, wins, losses, and percentages.

China Returns to Major Soccer With a Tie

PEKING — New Zealand held China to a 0-0 tie here Thursday and gained a valuable point away from home, in a World Cup soccer qualifying match before a capacity crowd of 63,000 at Workers' Stadium and an estimated television audience of 100 million.

China Returns to Major Soccer With a Tie

China returned to the international soccer scene with a 0-0 tie with New Zealand in a World Cup qualifying match here Thursday.

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Disguised Troopers Around the Proscenium, and Politics Everywhere

By Jim Murray Los Angeles Times Service LOS ANGELES — Some years ago I wrote a futuristic piece in which Olympic Games took place at an undisclosed site, and the principals were spirited to the venue in bulletproof cars and the contests were beamed out to the world via a security-tight group of TV specialists.

Whisked into Racine, Play Secret Match. An international rugby game scheduled for Chicago had to be smuggled to Wisconsin. To foil protestors who threatened to disrupt Saturday's game, the time and location of the match were kept secret, the wire services said. "The president of the Racine rugby club said he was not notified 11 p.m. Friday that his club would play host. Ticket-holders were notified to drive to a restaurant parking lot just across the Illinois-Wisconsin border where they were given further instructions from the occupants of an old green car."

proscenium for making a political statement, the Olympics was the Palace. They pointed to shoot archdukes, now they shoot political archdukes.

And what will be the biggest expense of the 1984 Games? The same as at the last four Olympics — security. There was the Mexican Army lined solidly along the route to Aztec Stadium in 1968. And the secret police in Munich in 1972. And the Montreal police who almost outnumbered the spectators in 1976. I don't know what Red Army privates on active duty get in the way of pay, but Moscow looked like an occupied city in 1980. It had to cost a great deal.

Track and field fans want to be concerned with non-winning times in the 400, or strategy in the pole vault, not Namibia. But separate sports from politics and diplomacy? Take tidies out of the ocean first. The fact is, politics was already a part of sport when the Christians played the lions.

China returned to the international soccer scene with a 0-0 tie with New Zealand in a World Cup qualifying match here Thursday.

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Large classified advertisement section titled 'CLASSIFIED ADVERTISEMENTS' containing various real estate listings, including properties in New York, Florida, and other locations, with contact information for agents.



Observer

The Secret of Firing

By Russell Baker

NEW YORK — I have never been able to fire anybody and, as a result, promotions have always passed me by. This is why I sought out George Steinbrenner, the owner of the New York Yankees.



Russell Baker

Naturally, I had expected to meet an ogre, and so, was delighted by the charm with which he received my proposal. "Mr. Steinbrenner," I explained, "I want to study firing, and I want to study under the best man in the field. Will you help me learn?"

He dialed the phone. "I'm calling a sportswriter pal," he whispered. Then: "This is George, Sol. . . . Yeah, terrible about that last trip. I've got it from the horse's mouth. The Yankees are looking for a new manager. . . . Don't quote me."

He hung up. I felt radiant with hero worship. Steinbrenner was not only going to fire the manager; he was letting me see how he did it. "That will be headlines in the paper tomorrow," I said.

"You bet your sweet patootie," he said. "I'll put the Yankees back on Page 1, stir up the fans, get the turnstile clicking. When you fire somebody, son, fire with a purpose. It's good for the box office."

I saw this was the moment to push my case. "If it's not asking too much," I said, "could I come in some day and fire somebody for you while you watched me to make sure I'm doing it right?"

He rose from his desk and embraced me. "I like you, kid. You could be good, really good," he said. "I'm putting you on the payroll as junior assistant in charge of minor firing. Be in here tomorrow morning early and I'll let you fire a couple of peanut vendors."

I reported early the next morning. Steinbrenner stood behind me to observe my technique. The first peanut vendor was a small caddy fellow with plump, round cheeks and a great deal of hair.

"Vendor," I snarled, and then paused. "Yes, sir. Bag of peanuts, sir?" "What are you waiting for?" asked Steinbrenner. "Give him the ax."

"I can't," I said. "Can't! Why not?" "He reminds me of my dear old teddy bear," I said.

I heard Steinbrenner snuffle and suppress a sob. Then, "Nobody can talk about teddy bears around me and get away with it," he said in a voice hoarse with sorrow. "You're fired."

I was leaving the stadium when a guard said Steinbrenner wanted me on the phone. "Give me your phone number, kid," he said. "I'm going to need some new managers next spring."

Donald Barthelme

'I Do Write Very Peculiar Things'

By Michiko Kakutani

NEW YORK — In one of Donald Barthelme's earliest stories the narrator says: "I am free associating, brilliantly, willfully, to put you into the problem. Or for fear of bawling you, which?"

A similar question has often been asked of Barthelme's own work, and readers of his short stories — a selection of which was just published by Putnam — seem to be sharply divided. To some he has infused new life into fiction, achieving the resonance of myth while at the same time raising important questions about the nature and limits of art.

Using fantasy and satire to heighten reality, Barthelme takes artifacts from contemporary life and myth and combines them in verbal collages that bear a curious resemblance to the work of such visual Surrealists as Magritte. His characters — from the Three Musketeers to Batman to Robert Kennedy — are drawn from popular culture as well as history and are often subjected to strange and startling transformations.

In "earlier times people could attempt to explain everything," he said in an interview. "Today there is too much to explain. The effort would be fruitless. So we have to try and do something else. For me it's more attempting to deal with parts instead of attempting to deal with the whole."

Although Barthelme maintains that he is deeply involved emotionally in every story he writes, he adds that he has made an aesthetic choice of distance and detachment. "I think it's the way it ought to be done," he said. "I think I like a decent distance between the writing and the reader. There's a kind of detachment governing everything I've written."

In both its coolness of tone and oddness of shape, Barthelme's fiction owes a certain debt to modern art, and he noted that his interest in form developed during his childhood in Texas. "My father was an architect, a modern architect," he said.

For all his avant-garde inclinations, though, Barthelme began his writing career in a most traditional way: he edited newspapers at both his high school and the University of Houston, and he later took a job as a reporter in Houston. "If you wanted to write fiction you first went to work at a newspaper because that's what Hemingway had done," he recalled.

For nearly a decade Barthelme struggled to find a suitable approach to fiction, and much of what he wrote during those years, he said, was "terrible — it was garbage." Then, in the early 1960s, something seemed to click, and his early work appearing in The New Yorker. Collected in 1964 under the title "Come Back, Dr. Caligari," the stories elicited a somewhat mystified response.

Barthelme was criticized for being glib, for substituting one-liners for insight, for being too concerned with formalistic design. They are criticisms he has since acknowledged. He has also tried in recent years to suppress his penchant for parody and typographical play, he said.

growing up was done during World War II, when incredible things were happening and the world was turning upside down. Events seemed full of contradiction, and then things got worse, in some sense, from there. Look at what's happening today: First we have the president shot; then we have the pope shot. How much can the mind take in? . . . It hurts the brain when he's shot. But we've suddenly had to think all these unthinkable things."

Certainly all manner of unthinkable things occur in Barthelme's stories. In "The President," a 48-inch-high commander in chief makes an epidemic of fainting spells around the country, and in "The Park King Kong," who also happens to be the adjunct professor of art history at Rutgers, makes his entrance through a window. Frequently, the events are not only surreal but, as in Kafka's work, slightly sinister as well: a huge balloon spreads northward across Manhattan; a university is threatened by coronavirus. And such events attest to Barthelme's own somewhat depressive view of a mechanical, deterministic world.

"What we don't know as citizens is a large part of our reality," he said earnestly. "People are making decisions for us about things that have to do with our lives and deaths, and we read about these things in the papers. We are not consulted. The government doesn't ask me what we should do about the MX missile. It only asks me to help pay for it. Most of our reality is imposed on us."

In many Barthelme stories there is also an air of helplessness — helplessness that tends to make people neutralize their despair through what one character calls "self-defense." Too sophisticated for feelings, too educated for faith, most of Barthelme's narrators seem virtually devoid of psychological depth. Their voices are flat and alienated, their vision slightly ironic.

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Author Barthelme

pers at both his high school and the University of Houston, and he later took a job as a reporter in Houston. "If you wanted to write fiction you first went to work at a newspaper because that's what Hemingway had done," he recalled. "It may seem odd to say Hemingway was a great influence on me, but he was. He taught me a lot about compression and sentence rhythms."

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Convict-Author Abbott: Is Seized in Louisiana

Convict-turned-writer Jack Henry Abbott, who won freedom and literary fame with the aid of author Norman Mailer, is being held with out bail in New Orleans after armed sheriff's deputies surprised Abbott at his \$4-an-hour job as an oilfield roustabout in Morgan City, La. He is wanted in New York for questioning in the stabbing death of a young actress. The 37-year-old convict became the toast of New York's literary set this summer with his book, "In the Belly of the Beast," a series of letters written to Mailer that describe in grim detail Abbott's years in prison since age 17 for crimes ranging from armed robbery to murder. Mailer was instrumental in winning Abbott's release from prison to a halfway house in Manhattan. The Pulitzer Prize-winning author had agreed to give his convict-protégé a \$150-a-week job as an literary matters.

Abbott, however, fled after the July 18 stabbing death of Richard Aden, 22, an aspiring playwright who was working as a waiter at a restaurant near the halfway house. Abbott has not been formally charged in the slaying but he was seen arguing with Aden about the use of a restaurant toilet minutes before the fatal stabbing. Scott Meredith, literary agent for both Mailer and Abbott, said the novelist, who is in Utah for the filming of his prize-winning book "The Executioner's Song," knew of Abbott's arrest but had no immediate comment. Federal marshals had been trailing Abbott for two weeks after informants tipped authorities that he was in the New Orleans area, where he worked at odd jobs ranging from a "Lucky Dog" vendor in the French Quarter to an oil field roustabout under the name of Jack Eastman. Meredith said Abbott's "In the Belly of the Beast" has already earned \$100,000 and its projected earnings should reach \$250,000.

Seven Secret Service agents who guarded President Reagan during the March 30 assassination will share \$45,000 in awards. Secret Service Director H. Stuart Knight will present four of the agents with \$10,000 each for their acts of valor when Reagan was shot. The agents getting \$10,000 each are Jerry Parr, D.V. McCarthy, Tim McCarty and Ray Shadlock. Parr was the agent who pushed Reagan toward the back seat of the presidential limousine as six shots were fired. The Secret Service report on the awards said the bullet that

struck Reagan apparently hit him as the agent was shoving him into the car. D.V. McCarthy was the first law enforcement officer to reach John Hinckley, who has been charged with the shooting. The agent pulled Hinckley down as he continued to squeeze the trigger on an empty gun, according to the Treasury Department's official review of the incident. The third bullet fired struck special agent Tim McCarthy in the chest as he turned toward the sound of the shots, screening the president with his arms. Agent Shadlock and Parr escorted Reagan into the hospital, carrying him into the emergency room after his knees buckled. Two other agents, including the driver of the presidential limousine will get \$2,000, and a seventh agent \$1,000.

For the first time since it began three decades ago, the Miss World pageant in November will award £1,000 (about \$1,800) "Queen of Beauty" title to winners from five continents. Eric Mortimer, who runs the contest with his wife, Julia, said winners from Africa, Asia, Europe, the Americas and Oceania will be chosen along with the traditional Miss World in the competition Nov. 12 at London's Royal Albert Hall. He said the naming of regional winners was a "historic decision" and had nothing to do with last week's Miss Zimbabwe contest in which a 24-year-old black woman, Juliette Nyathi, was crowned amid allegations that the event was rigged to favor a black contestant. Judges denied the charges. The Salisbury event was a preliminary to the Miss World contest.

Britain's Prince Andrew piloted a helicopter that rescued a sailor swept into the sea from the deck of a submarine, the Defense Ministry reported. The 21-year-old second son of Queen Elizabeth II, who is serving a 12-year commission in the navy, was piloting a Sea King helicopter while taking part in a training exercise in the Firth of Clyde seaward of Glasgow. A ministry spokesman said that during the exercise the sailor, John Hendren, was swept by a wave from the deck of the submarine Octoid into the sea. The prince followed a rescue instructions and headed toward the back seat of the presidential limousine as six shots were fired. The Secret Service report on the awards said the bullet that

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